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11
No. _____

EXTERNAL AFFAIRS DEPARTMENT.

Subject: Turkey Co & Fin

5009.

see also capitulation concessions

from I.S. Turkey Economic & financial

9/194

28/12/42

4. My telegram G. No. 164 3rd December. New tax assessment is reported to be deliberately damaging to foreigners. Greeks in particular have been hard hit and have appealed to us to support their representations to Turkish Government. His Majesty's Charge D'Affaires has brought to notice of Turkish Minister for Foreign Affairs cases of discrimination against British Nationals and has reserved rights of British subjects affected and of United Kingdom Government. He has also been authorised to appeal on a personal basis for Turkish goodwill towards Greeks. It is understood that Axis representatives have also made representations. Turkish authorities have so far only made some minor concessions to tax payers.

Copy to War Cabinet.
War Advisory Council.
Defence.
External Affairs.

29/12/42.

1942

2/13/6

7

Copy.

FROM S.S.

4/12/42. G.164.

2. TURKEY.

In order to combat inflation the Turkish Government have decreed a tax on wealth. Arbitrary method of assessment and short title limit for payment have alarmed the public whose confidence has been particularly shaken by order, subsequently rescinded temporarily blocking bank accounts in Istanbul. Result has been run on banks and chaotic business conditions. New measure applies equally to Turks and foreigners and it is understood that Jews in particular will be taxed heavily.

COPY - War Cabinet.
War Advisory Council
Defence
E.A.

6/12/42.

1942

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY
JUNE 1942

(Received from the Commercial Counsellor, Ankara)

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.6.42	£T 326,542,000
25.5.42	318,585,000
25.6.41	275,850,000

<u>Note Circulation</u>	<u>25.6.42</u>	<u>25.5.42</u>	<u>25.6.41</u>
Old issue	134,958,000	134,958,000	138,500,000
Supplementary issue covered by gold	40,000,000	40,000,000	17,000,000
Supplementary issue covered by commercial bills	288,500,000	288,500,000	250,000,000
Supplementary issue by virtue of Law No.3902 (advances to Treasury against gold)	136,500,000	127,500,000	108,000,000
	<u>599,958,000</u>	<u>590,958,000</u>	<u>513,500,000</u>

(b) Restriction or expansion of commercial credit

Note circulation increased by £T9,000,000 during the month of June as compared with the preceding month.

(c) Changes in commercial banking interest rates.

No change

2. STOCK EXCHANGE

(a) General Movement of

(i) Share

	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1942</u>
Internal loan:				
Loan 1933		100		118
" 1934			100	104
External loan		100		89
Anatolian Railway debentures	100			150
Central Bank of Turkey			100	235

(ii) bond values

nil

(b) New Capital issues
(as a whole)

nil.

3. BUDGET

(a) Estimates

Law No.4227 dated 28th May and published on the 1st June 1942 gave the following figures for the Turkish Budget estimates for the financial year 1942-43 as voted by the Grand National Assembly:-

Revenue	£T394,328,340
Expenditure	394,326,938

A supplementary Budget granting a credit of £T120,000,000 to the defence services was also voted. Figures (ordinary and extraordinary) exceed those of the previous financial year by £T121,300,000 or an increase of 30%.

(b) Current figures of revenue and expenditure.

See report for May. No further figures have been published since.

(c) Supplementary expenditure.

nil.

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copy to T.C.
Commerce
24/6/42

(d) Issue of Government bonds and methods of financing deficits.

An advance of £23,000,000 was made to the Treasury during June which brings the total advances against gold deposit made so far by virtue of Law No.3850 to £250,000,000 during the period July 1940 to June 1942. This now completes the advance authorized.

Law 4275 of 20th June 1942 authorizes the Ministry of Finance to conclude an interior loan against bonds up to the value of £150,000,000 to finance extraordinary expenditure of the Ministry of National Defence.

(e) Year's Accounts

nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products agricultural products, industrial products.

No new figures published since December 1941.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in

(a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Regular and chiefly on a cash basis.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

See report of February 1942

(b) Central Bank's reserve of foreign exchange.

Gold held by the Central Bank of Turkey with its foreign correspondents on the 25th June 1942 increased from the May figures of kgs.23,141,531 or £32,550,000 to kgs.24,873,913 or £34,987,000 an increase of £2,437,000.

The deficit of foreign exchange on the Istanbul exchange during May 1942 amounted to £500. Deficit for period January-May 1942 inclusive amounted to £8,100 against £411,300 during the corresponding period the previous year.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

See report for February 1942

7. EXCHANGE CONTROL

(a) Changes in regulations

No change

(b) Changes in administrative delays and difficulties.

No change

(c) Delay in transfer

(i) in general

Nil

(ii) for particular trades, if they differ from normal

Nil

(d) Liquidation of arrears, if any to U.K. and other countries.

Nil

8. CLEARINGS

(a) New agreements, cancellation or modification of existing agreements.

Nil.

(b) Position of liquidation of balances on either side.

The Clearing accounts are not published by the Turkish government as formerly but under headings of "other devises and debit balances from clearing accounts" on the credit side and under the heading of "other devises and credit balances from clearing accounts" on the debit side of the Central Bank report, figures are as follows as at 25th June compared with 25th May, 1942.

	25.6.42	25.5.42
Credit	62,380,000	65,730,000
Debit	27,197,000	24,792,000

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(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

(see 9 (d))

9. FOREIGN TRADE

(a) Total import and export figures

None published.

(b) Important changes in direction

No change.

(c) General changes in tariff or in import restrictions recent or probable

Nil.

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

A communiqué issued by the Ministry of Commerce on the 25th May 1942 abolishes premiums on exports and imports administered by the Takas Ltd. in Turkey. Although this measure does not affect the existing agreement between the U.K. and Turkey it has had for the time being the effect of seriously curtailing exports to other free currency marks and to U.S.A. tobacco purchases in particular.

Law No. 4229 dated 29th May, 1942, and published on the 2nd of June, 1942, fixes the 1942-43 Budget of the Directorate-General of Sea Transport. Receipts are estimated at £10,084,400 and expenditure at £10,083,787. Receipts include a treasury subsidy of £149,400.

Law No. 4230 dated 29th May, 1942, and published on the 2nd of June, 1942, deals with the budget of the Directorate-General of Port and Harbours for 1942-43. Receipts are estimated to fetch £5,645,000 and expenditure is set down as £5,640,000 - a treasury subsidy of £100,000 is included in the receipts.

Law No. 4231 dated 29th May 1942 and published on 2nd June, 1942, fixes the 1942-43 budget of the Directorate-General of Administration of Religious Charities (Evkaf). Revenue is estimated at £3,358,000 and expenditure at £3,356,869. Included in revenue is a treasury subsidy of £200,000.

Law No. 4232 dated 29th May, 1942, and published on 2nd June, 1942, deals with the 1942-43 budget of the Directorate-General of State Airways. Revenue is estimated at £1,100,000 and expenditure at a like figure. A treasury subsidy of £1,030,000 is included as revenue.

Law 4233 dated 29th May, 1942, and published on 2nd June, 1942, fixes the 1942-43 budget of the Directorate-General of Coasts and Frontiers. Revenue is estimated at £149,700 and expenditure at £148,488. Included in revenue is a treasury subsidy of £300,000.

Law No. 4234 dated 29th May, 1942, and published on 3rd June, 1942, fixed the budget for 1942-43 of the Directorate-General of Forests. Revenue is estimated at £6,681,114 and a like amount is set off for expenditure. A subsidy by the Treasury of £1,750,000 figures on the revenue side of the budget in question.

Law No. 4239 dated 30th May, 1942, and published on 3rd June, 1942, fixes the budget for 1942-43 of the Directorate-General of Physical Culture. Revenue is estimated at £825,405 and expenses at a like amount. Treasury subsidy included in revenue amounts to £572,400.

Law No. 4240 of 30th May, 1942, published on 4th June, 1942, deals with the 1942-43 budget of the P.T.T. Revenue is estimated at £22,299,117 and expenditure at a like amount.

Law No. 4241 of 30th May, 1942, published on 4th June, 1942, fixes the budget for 1942-43 of the Directorate-General of Monopolies. Estimated revenue amounts to £118,406,218 and expenditure to £9,580,837. This department participates in large measure to the ordinary and extraordinary State revenue.

Law No. 4242 dated 30th May, 1942, published on the 4th June, 1942, fixes the budget for 1942-43 of the Directorate-General of State Railways and Ports. Estimates of revenue amount to £77,580,000 and a like amount is set aside for expenditure.

Law No. 4243 of 30th May, 1942, published on 4th June, 1942, approves of Decree No. 2/9456 of 19th August, 1938, which was promulgated by the Council of Ministers with a view to reducing customs dues on imported films by 75 per cent.

Law No. 4247 of 3rd June, 1942, published on 5th June, 1942, approves of the Notes exchanged between Turkey and Italy on the 26th December, 1941, regarding the extension for one year from 1st January, 1942, of a commercial treaty concluded on the 29th December, 1936, between the two countries.

Decree No. 2/18087 dated 5th June, 1942, published on the 13th June, 1942, increases the amount allotted to the Ministry of Agriculture for aid to needy farmers from £T.1,500,000 to £T.2,750,000.

Law No. 4269 of the 19th June, 1942, published on the 23rd June, 1942, increases the nominal capital of the Eti Bank to £T.100,000,000.

Law No. 4270 dated 19th June, 1942, and published on 23rd June, 1942, increases the nominal capital of the Sumer Bank to £T.50,000,000.

Decree No. 2/18181 of 24th June, 1942, published on 30th June, 1942, places at the disposal of the Ministry of Agriculture a credit of £T.1,800,000 for the purchase of agricultural machinery abroad, which will be resold to farmers in Turkey.

The Ministry of Public Works has called for a tender on the 29th June, 1942, for irrigation works in the plain of Manavgat (Antalya). The estimated cost of this work is £T.350,000. The same Ministry called for a tender on the 22nd June, 1942, for the construction of the road from Diyarbekir to Mardin. Estimated cost of this work will be £T.500,000. Another tender was called for by this Ministry on 15th June for the irrigation of the Alanya plain (Antalya); estimated cost £T.375,620. Another tender was called for on the 16th June, 1942 for the irrigation of the plain of Malatya; estimated cost £T.263,493. A further tender was called for on the 17th June, 1942, for the irrigation of the plain of Silifke; estimated cost £T.1,305,633.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY
(Received from the Commercial Counsellor, Ankara)
M A Y 1 9 4 2

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.5.42	£T318.585.000
25.4.42	345.897.000
25.5.41	276.829.000

Note Circulation

	<u>25.5.42</u>	<u>25.4.42</u>	<u>25.5.41</u>
Old issue	134,958.000	136,294.000	138,500.000
Supplementary issue covered by gold	40,000.000	40,000.000	17,000.000
Supplementary issue covered by commercial bills	288,500.000	288,500.000	250,000.000
Supplementary issue by virtue of Law No. 3902 (advances to Treasury against gold)	<u>127,500.000</u>	<u>117,000.000</u>	<u>100,000.000</u>
	<u>590.958.000</u>	<u>581.794.000</u>	<u>505.500.000</u>

(b) Restriction or expansion of commercial credit.

Note circulation increased by £T9,164,000 during the month of May 1942, as compared with the preceding month.

(c) Changes in commercial banking interest rates.

No change.

2. STOCK EXCHANGE

(a) General movement of

(i) Share

	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1942</u>
Internal loan:				
Loan 1933		100		121
" 1934			100	105
External loan		100		90
Anatolian Railway debentures	100			150
Central Bank of Turkey			100	240

(ii) bond values

nil

(b) New capital issues

(as a whole)

nil

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3. BUDGET

(a) Estimates

nil

(b) Current figures of revenue and expenditure

Receipts for the first five months of the Budget year 1941-42 (June-Oct.) compared as follows with the same period of the preceding year.

	1941-42	1940-41
	£T	£T
Receipts ordinary	170,076,000	131,476,000
" extraordinary	67,632,000	112,189,000
" not provided for in Budget	4,698,000	5,304,000
Treasury refunds	1,654,000	1,435,000

Ordinary receipts show an increase as an outcome of the new fiscal charges established since June 1941. The fall in extraordinary receipts is due to the fact that during the period in question the Treasury had drawn no funds from the Central Bank of Turkey on the advance authorized by Law 3850 whereas during the same period the previous year, drawings had amounted to £T80,585,000.

(c) Supplementary expenditure

An advance of £T45,000,000 was made to the Treasury during May which brings the total advances against gold deposit made so far by virtue of Law No.3850 to £T227,000,000 during the period July 1940 to May 1942. This leaves a balance of £T23,000,000 which can still be drawn upon.

(d) Issue of Government bonds and method of financing deficits

nil

(e) Year's Accounts

nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

no change

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b)) whether delays are due to transfer difficulties or to local business conditions.

Regular and chiefly on a cash basis.

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2

EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

See report for February 1942

(b) Central Bank's reserve of foreign exchange.

Gold held by the Central Bank of Turkey with its foreign correspondents on the 25th May 1942 increased from Kg. 22,785.473 or £T32,050,000 to Kgs. 23,141,531 or £T32,500,000 an increase of £T500,000.

The deficit of foreign exchange on the Istanbul exchange during April 1942 amounted to £3,200. Deficit for period January-April 1942 inclusive amounted to £7,600 against £384,000 during the corresponding period the previous year.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange

See report for February 1942

7. EXCHANGE CONTROL

(a) Changes in regulations

No change

(b) Changes in administrative delays and difficulties

No change

(c) Delay in transfer

(i) in general

Nil

(ii) for particular trades, if they differ from normal

Nil

(d) liquidation of arrears, if any to U.K. and other countries

Nil

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements

Nil

(b) Position of liquidation of balances on either side.

The Clearing accounts are not published by the Turkish Government as formerly but under headings of "other devises and debit balances from clearing accounts" on the credit side of the Central Bank reports and under the heading of "other devises and credit balances from clearings accounts" on the debit side of the Central Bank report figures as follows as at the 25th May compared with 25th April 1942.

	25.5.42	25.4.42
Credit	65,730,000	68,000,000
Debit	24,792,000	26,875,000

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- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

No change

9. FOREIGN TRADE

- (a) Total import and export figures

None published

- (b) Important changes in direction

No change

- (c) General changes in tariff or in import restrictions recent or probable

Nil

- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports

Nil

D 92072-1 22 D/a 405 7/42

4

1. GENERAL
(a) Central
Commercial

Note Circular
Old issue
Supplementary
gold
Supplementary
commercial
Supplementary
of Law No. 39
Treasury again

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY
(Received from the Commercial Counsellor, Ankara)
M A Y 1 9 4 2

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.5.42	£T318,585,000
25.4.42	345,897,000
25.5.41	276,829,000

Note Circulation

Old issue	25.5.42	25.4.42	25.5.41
Supplementary issue covered by gold	134,958,000	136,294,000	138,500,000
Supplementary issue covered by commercial bills	40,000,000	40,000,000	17,000,000
Supplementary issue by virtue of Law No. 3902 (advances to Treasury against gold)	288,500,000	288,500,000	250,000,000
	127,500,000	117,000,000	100,000,000
	590,958,000	581,794,000	505,500,000

(b) Restriction or expansion of commercial credit.

Note circulation increased by £T9,164,000 during the month of May 1942, as compared with the preceding month.

(c) Changes in commercial banking interest rates.

No change.

2. STOCK EXCHANGE

(a) General movement of

(i) Share

	1929	1933	1934	1942
Internal loan:				
Loan 1933		100		121
" 1934			100	105
External loan		100		90
Anatolian Railway debentures	100			150
Central Bank of Turkey			100	240

(ii) bond values

nil

(b) New capital issues

(as a whole)

nil

92072-1

3. BUDGET

(a) Estimates

nil

(b) Current figures of revenue and expenditure

Receipts for the first five months of the Budget year 1941-42 (June-Oct.) compared as follows with the same period of the preceding year.

	1941-42	1940-41
	£T	£T
Receipts ordinary	170,076,000	131,476,000
" extraordinary	67,632,000	112,189,000
" not provided for in Budget	4,698,000	5,304,000
Treasury refunds	1,654,000	1,435,000

Ordinary receipts show an increase as an outcome of the new fiscal charges established since June 1941. The fall in extraordinary receipts is due to the fact that during the period in question the Treasury had drawn no funds from the Central Bank of Turkey on the advance authorized by Law 3850 whereas during the same period the previous year, drawings had amounted to £T80,585,000.

(c) Supplementary expenditure

An advance of £T45,000,000 was made to the Treasury during May which brings the total advances against gold deposit made so far by virtue of Law No. 3850 to £T227,000,000 during the period July 1940 to May 1942. This leaves a balance of £T23,000,000 which can still be drawn upon.

(d) Issue of Government bonds and method of financing deficits

nil

(e) Year's Accounts

nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

no change

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b)) whether delays are due to transfer difficulties or to local business conditions.

Regular and chiefly on a cash basis.

92072-1

2

EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

See report for February 1942

(b) Central Bank's reserve of foreign exchange.

Gold held by the Central Bank of Turkey with its foreign correspondents on the 25th May 1942 increased from Kg. 22,785,473 or £T32,050,000 to Kgs. 23,141,531 or £T32,500,000 an increase of £T500,000.

The deficit of foreign exchange on the Istanbul exchange during April 1942 amounted to £3,200. Deficit for period January-April 1942 inclusive amounted to £7,600 against £384,000 during the corresponding period the previous year.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange

See report for February 1942

7. EXCHANGE CONTROL

(a) Changes in regulations

No change

(b) Changes in administrative delays and difficulties

No change

(c) Delay in transfer

(i) in general

Nil

(ii) for particular trades, if they differ from normal

Nil

(d) liquidation of arrears, if any to U.K. and other countries

Nil

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements

Nil

(b) Position of liquidation of balances on either side.

The Clearing accounts are not published by the Turkish Government as formerly but under headings of "other devises and debit balances from clearing accounts" on the credit side of the Central Bank reports and under the heading of "other devises and credit balances from clearings accounts" on the debit side of the Central Bank report figures as follows as at the 25th May compared with 25th April 1942.

	<u>25.5.42</u>	<u>25.4.42</u>
Credit	65,730,000	68,000,000
Debit	24,792,000	26,875,000

92072-1

3

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

No change

9. FOREIGN TRADE

- (a) Total import and export figures

None published

- (b) Important changes in direction

No change

- (c) General changes in tariff or in import restrictions recent or probable

Nil

- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports

Nil

D 92072-1 22 D/d 405 7/42

4

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

March, 1942

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.3.42.	£T338,658,000
25.2.42.	324,766,000
25.3.41.	271,358,000

<u>Note Circulation</u>	<u>25.3.42.</u>	<u>25.2.42.</u>	<u>25.3.41.</u>
Old issue	136,520,000	136,520,000	138,600,000
Supplementary issue covered by gold	26,500,000	17,000,000	17,000,000
Supplementary issue covered by commercial bills	288,500,000	263,500,000	250,000,000
Supplementary issue by virtue of law No. 3902 (advances to Treasury against gold)	115,000,000	115,000,000	55,500,000
	<u>566,520,000</u>	<u>532,020,000</u>	<u>461,100,000</u>

(b) Restriction or expansion of commercial credit

Note circulation increased by £T34,500,000 during the month of March 1942 as compared with January last.

(c) Changes in commercial banking interest rates.

There is no change in Bank rates for business transactions. These vary between $8\frac{1}{2}$ - 10%. This is likewise the case in the discount rate of the Central Bank of Turkey which is now at 4%.

2. STOCK EXCHANGE

(a) General movement of
(i) share

	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1942</u>
Internal loan:				
Loan 1933		100		128
" 1934			100	105
External loan:		100		87
Anatolian Railway Debentures	100			143
Central Bank of Turkey			100	254

(ii) bond values

Nil

(b) New capital issues (as a whole)

Nil

3. BUDGET

(a) Estimates

Nil

(b) Current figures of revenue and expenditure

Nil

(c) Supplementary expenditure

Nil

(d) Issue of Government bonds and method of financing deficits

Law 4195 published on the 8th April authorizes the Ministry of Finance to issue further Saving Bonds to value of £T25,000,000 buying total saving bond issues authorized to date to £T75,000,000.

91146-2

(e) Year's Accounts

Nil.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products agricultural products, industrial products.

The Ministry of Commerce has published the following comparative indices of cost of foodstuffs for the month of December, 1941.

Istanbul	160.2	against 100 in 1938
Ankara	154.7	" " " "

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 b) whether delays are due to transfer difficulties or to local business conditions.

Regular and chiefly on a cash basis.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

See report for January 1942.

(b) Central Bank's reserve of foreign exchange.

The deficit of foreign exchange on the Istanbul Exchange during February 1942 amounted to £1,468 which was covered by the Central Bank of Turkey in the January 1942 surplus of £26,300. Gold held by the Central Bank of Turkey with their foreign correspondents as at 25th March 1942 increased to Kgs. 16,215,433 or £T 22,808,303 against Kgs. 15,788,078 or £T 22,207,192 held on the same date the previous month, hence an approximate increase of £T 600,000.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

see last report.

7. EXCHANGE CONTROL

(a) Changes in regulations

Nil.

(b) Changes in administrative delays and difficulties.

Nil.

(c) Delay in transfer

(i) in general

Nil.

(ii) for particular trades if they differ from normal

Nil.

(d) Liquidation of arrears, if any to U.K. and other countries.

Nil.

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements.

The T.G. have recently signed an agreement with Bulgaria covering an exchange of goods to an approximate value of £T3,000,000 supplies to Turkey will principally consist of charcoal, seed potatoes and glycerine. The Turks will supply cotton which will be returned in the form of yarn. The Turco-Swiss compensation agreement was signed on the 28th of March. Each transaction will be treated separately and goods to be exchanged will be settled by agreement.

91146-2

(b) position of liquidation of balances on either sides.

The clearing accounts are not published by the Turkish Government as formerly but under headings of "other devise and debit balances from clearing accounts" on the credit side of the Central Bank reports and under the heading of "other devise and credit balances from clearing accounts" on the debit side of the Central Bank report figures as follows as at the 25th March as compared with 25th February, 1942.

	<u>25.3.42.</u>	<u>25.2.42.</u>
Credit	73.301.000	63.662.000
Debit	28.928.000	24.026.000

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

see previous report.

9. FOREIGN TRADE

(a) Total import and export figures
non available.

(b) Important changes in direction
see previous report

(c) General changes in tariff or in import restrictions recent or probable.

Nil.

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Nil.

Decree No. 2/17456 published on 9th March 1942 augments the credit of £T.500,000 to £T.1,500,000 allotted to the Ministry of Agriculture in order to procure agricultural instruments necessary for farmers.

Decree No. 2/17457 dated 2nd March, 1942 brings the capital of the "Office du Commerce" up to £T.14,000,000 which had been fixed previously at £T.5,000,000.

Decree No. 2/17458 published on 9th March, 1942 places at the disposal of the Agricultural Bank for account of the Ministry of Agriculture the sum of £T.2,600,000 to be distributed to needy farmers.

Decree No. 2/17459 published on 9th March, 1942 places at the disposal of the Ministry of Agriculture an amount of £T.600,000 in order to cover the expenses of the Agricultural Institute.

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Decree No. 2/17460 published on 9th March, 1942 places at the disposal of the Eti Bank a capital of £T.1,000,000 in order to ensure the sale of Turkish coal products through one medium.

Decree No. 2/17462 published on 9th March, 1942 extends to 24th February 1942 the date of declaration of wool stocks in the country.

Decree No. 2/17463 published on 9th March, 1942 increases the price of beans requisitioned by the Government by 1 ptr. per kilo.

Decree No. 2/17402 published on 11th March, 1942 authorises the Ministry of Commerce to borrow from the Agricultural Bank the sum of £T.1,500,000 at the rate of interest of 6 per cent per annum in order to regularise the price of petroleum products which will be imported from Roumania.

Decree No. 2/17467 published on 11th March 1942 authorises the Office of the Products of the Soil to mix 25 per cent of maize flour with that of wheat for the manufacture of bread.

Decree No. 2/17555 published on 19th March, 1942 authorises the sale of coffee and tea but increases the price of coffee by 300 ptrs. per kilo and that of tea by 750 ptrs. per kilo.

Decree No. 2/17540 published on 25th March, 1942 authorises the establishment of an office for the distribution of foodstuffs. The capital of this office has been fixed at £T.10,000,000 which will be able to be increased by a decision of the Council of Ministers.

Decree No. 2/17559 published on 25th March, 1942 increases the credit allotted to the Ministry of Commerce to cover the expenses in regard to the distribution of bread by card system from £T.200 000 to £T.500,000.

The Ministry of Public Works has called for an adjudication on 27th March, 1942 for regulating the flow of water of the Sarımsaklı and the irrigation of the swamps in the Nigde Region. The approximate cost of this work will amount to £T.481,000.

D 91146-2 22 D/a 388 5/42

4

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

FEBRUARY 1942

(by Mr. S. R. Jordan, Commercial Counsellor, Ankara)

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.2.42	£324.766.000
25.1.42	302.000.000
25.2.41	260.066.000

Note Circulation	25.2.42	25.1.42	25.2.41
Old issue	136.520.000	136.520.000	138.600.000
Supplementary issue covered by gold	17.000.000	17.000.000	17.000.000
Supplementary issue covered by commercial bills	263.500.000	250.000.000	250.000.000
Supplementary issue by virtue of law No. 3902 (advances to Treasury against gold)	115.000.000	113.000.000	20.000.000
	<u>532.020.000</u>	<u>516.520.000</u>	<u>425.600.000</u>

(b) Restriction or expansion of commercial credit

Note circulation increased by £15,500,000 during the month of February 1942 compared with January of the same year.

(c) Changes in commercial banking interest rates

Nil change

2. STOCK EXCHANGE

(a) General movement of
(i) share

	1929	1933	1934	1942
Internal loan:				
Loan 1933		100		126
" 1934			100	105
External loan		100		87
Central Bank of Turkey			100	246
Anatolian Railway Debentures	100			143

(ii) Bond values

nil

(b) New capital issues
(as a whole)

nil

3. BUDGET

(a) Estimates

nil

(b) Current figures of revenue and Expenditure

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Receipts for the first four months of the budget year 1941-42 (June-September) compared as follows with the same period of the preceding year.

	1941-42 4 mths £T	1940-41 4 mths £T	Difference £T
Receipts ordinary	148,521,000	111,501,000	+ 37,020,000
" extraordinary	58,632,000	81,189,000	- 22,557,000
" miscellaneous	4,501,000	5,095,000	- 594,000
Treasury Refunds	1,443,000	1,056,000	+ 387,000
	<u>213,097,000</u>	<u>198,841,000</u>	+ <u>14,256,000</u>

Ordinary receipts show an increase of £T37,000,000 as a result of fresh taxation. Extraordinary receipts however, show a set back of £T22,557,000 which is due to the fact that the Treasury utilized a less amount of the £T250,000,000 advance from the Central Bank authorized under Law No. 3850.

(c) Supplementary expenditure

A supplementary credit of £T60,000,000 was voted for the fighting services on the 2nd February 1942 which brings extraordinary credit for the services, to £T200,000,000 during the present fiscal year.

(d) Issue of Government bonds and method of financing deficits

The Turkish Ministry of Finance issued bonds to a value of £T10,000,000 for railway construction work. Interest is 7% and the whole was covered in four days.

(e) Year's Account

nil

4. PRICE LEVELS

Latest published indices, General wholesale and general retail prices; whole-sale prices of import products, export products agricultural products, industrial products.

See last report

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Regular and chiefly on cash basis

6. EXCHANGE

(a) "Black or other rates not quoted in London. Rates for compensation marks or other special currencies.

See last report

(b) Central Bank's reserve of foreign exchange.

Surplus of foreign exchange on the Istanbul Exchange during Jan. 1942 amounted to £26,300 which were absorbed by the Central Bank of Turkey against a deficit in Dec. 1941 of £12,500 which was covered by the Central Bank of Turkey.

Gold held by the Central Bank of Turkey with their foreign correspondents as at the 25th Feb. 1942 amounted to kgs. 15,788,078 or £T22,207,195 against kgs. 6,632,112 or £T9,338,596 as at the 25th Jan. 1942 which represents an increase of approximately £T13,000,000.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

There is a certain tendency on the part of certain banks and business houses as well as by private people to hold foreign exchange in foreign countries where possible, in some disguised form since there is a fear that the Turkish Government may by legislation assume control of all foreign exchange holdings of persons resident in Turkey. The hoarding of exchange by private banks, etc. within the country is, of course, forbidden and not practiced on any large scale.

7. EXCHANGE CONTROL

- (a) Changes in regulations
nil
- (b) Changes in administrative delays and difficulties
nil
- (c) Delay in transfer
 - (i) in general
nil
 - (ii) for particular trades if they differ from normal
nil
- (d) liquidation of arrears, if any to U.K. and other countries
nil

8. CLEARINGS

- (a) New agreements; cancellation or modification of existing agreements.

The Turkish Government are at present negotiating a commercial agreement with the Swiss Government. The Turks are insisting on a compensation agreement whereas the Swiss delegation wish to purchase and sell against free exchange since they anticipate larger purchases from Turkey than supplies to this country.

- (b) Position of liquidation of balances on either side.

The clearing accounts are not published by the Turkish Government as formerly but under headings of "other devise and debit balances from clearing accounts" on the credit side of the Central Bank reports and under the heading of "other devise and credit balances from clearing accounts" on the debit side of the Central Bank report figure as follows as at the 25th Jan. and 25th Feb. 1942.

	<u>25.2.42</u>	<u>25.1.42</u>
Credit	63.662.000	70.138.000
Debit	24.026.000	23.637.000

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

see previous report

9. FOREIGN TRADE

- (a) Total import and export figures
No figures available
- (b) Important changes in direction

Confidential information tends to show that transport conditions in Central Europe appear to be deteriorating rather than improving and Turkey looks chiefly to Great Britain for the supply of her requirements. Two Italian ships reached Istanbul from Trieste loaded with German and Italian goods. They were small vessels, however, and concentrated chiefly on the transport of iron and steel wares, pharmaceuticals and dyestuffs.

- (c) General changes in tariff or in import restrictions recent or probable.

Nil

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Nil

The following is a list of the principal laws, decrees and circulars issued by the government and government departments during December 1941.

Law No. 4182 of the 2nd Feb. authorizes the supplementary credit of £160,000,000 to the Ministry of National Defence. The same law authorizes the Direction General of the State Railways and Ports to issue under Treasury guaranteed bonds not exceeding in value $\frac{2}{3}$ of the capital of the State Railways and Ports. The law also increases to £125,000,000 the limit of treasury bonds which may be issued under Art. 3 of the Finance law of 1941-42. The previous limit was £100,000,000. It is interesting to note that the Direction General of the State Railways has never previously been authorized to issue bonds exceeding an amount representing $\frac{1}{3}$ of its capital.

Decree 2/17229 of the 29th Jan. published on the 5th Feb. modifies Decree 2/10576 of the 29th March 1939 concerning the types and qualities of cloth which may be manufactured in Turkey.

Law No. 4185 of the 4th Feb. published on the 6th Feb. modifies certain articles of Law 3491 of the 24th June 1938 regarding the Office of the Products of the Soil. In virtue of these modifications the capital of the Office has been fixed at £30,000,000 and the Office is authorized to issue obligations up to a value of its nominal capital and to conclude loans. The Ministry of Finance is authorized to guarantee these bonds and loans.

Decree No. 2/17246 of the 31st Jan. 1942 published on the 7th Feb. (Decision No. 265 of the Co-ordination Committee) increases the purchase price of sugar beet purchases by the Sugar factories during the 1942 season. The new prices have been fixed at 2,550, 2,75 and 3 pts according to regions.

Decree No. 2/17291 of the 7th Feb. published on the 11th Feb. (Decision No. 265 of the Co-ordination Committee) permits the requisition within the Municipality of Istanbul, of paper of certain quantities and sizes which are subject to declaration.

Decree No. 2/17294 of the 7th Feb. published on the 11th Feb. (Decision No. 270 of the Co-ordination Committee) increases by 2 pts. per kg. the price of wheat, rye, barley and oats for the periods between the opening of the campaign and the 10th December 1941 and of 2 pts. also the price of maize for the period comprised between the opening of the season and 27th Dec. 1941.

Decree No. 2/17311 of the 14th Feb. published on the 20th Feb. (Decision No. 271 of the Co-ordination Committee) authorizes the loan by the Co-ordination Committee from funds placed at its disposal, of £1,000,000 to the State agricultural exploitation establishment in order to increase its activity.

Decree No. 2/17382 of the 23rd Feb. published on the 28th Feb. (Decision No. 272 of the Co-ordination Committee) grants the Ministry of Commerce the following credits for the Under-Secretariat of Supply. The Directors and chiefs of the Vilayet organisations of supply and price control.

£1689,500 for salaries
210,500 for administrative expenses

Decree No. 2/17383 of the 23rd Feb. published on the 28th Feb. (Decision No. 273 of the Co-ordination Committee) states that the collections which will be imposed as reserves on the sale of cotton, copper, valonea, valex, mohair, olive oil, creosote, and fish oil to be exported by virtue of the dispositions of the Turco-Romanian Commercial Agreement of the 12th December 1941 in view of the purchase of petrol products will figure in a special account with the Agricultural Bank. This decree adds that the necessary amounts from these funds will be issued to the Petrol Office in order that the petrol products which will be imported from Roumania will not be allowed to have any influence on the current prices of petrol and petrol products.

Decree No. 2/17384 of the 23rd Feb. published on the 28th Feb. (Decision No. 276 of the Co-ordination Committee) places the Administration of the port of Iskenderun under the direction general of the State Railways as in the case of Haydar Pasa and Derince.

An adjudication was opened by the Ministry of Public Works on the 13th March for the control of Kocacay and Lürüvetler rivers situated in the region of Brusa. The estimated cost of these works is £14,74,100.

D 30230-1 22 D/a 382 4/42

4

MONTHLY REPORT ON ECONOMIC
CONDITIONS IN TURKEY
D E C E M B E R 1941

(By Mr. S. R. Jordan, Commercial Counsellor, Ankara)

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

	25.12.41	25.11.41	25.12.40
	25.11.41		
	25.12.40		
Note Circulation	25.12.41	25.11.41	25.12.40
Old issue	137.000.000	137.000.000	138.800.000
Supplementary issue covered by gold	17.000.000	17.000.000	17.000.000
Supplementary issue covered by commercial bills	250.000.000	250.000.000	242.000.000
Supplementary issue by virtue of law No. 3902 (advances to Treasury against gold)	114.500.000	107.500.000	14.000.000
	518.500.000	511.500.000	411.800.000

(b) Restriction or expansion of commercial credit.

Note circulation increased by £7,000,000 during December 1941.

(c) Changes in commercial banking interest rates.

No change.

Guaranteed advances 8½%. Open 12%. Official re-discount 4%. Advances to Treasury under Law No. 3850 remained at the same as in the preceding month i.e. £167,500,000. On the 25th December 1940 the advances to Treasury were only £103,300,000. The maximum limit of advances is fixed by law 3850 at £250,000,000.

2. STOCK EXCHANGE

(a) General movement of

(i) share

	1929	1933	1934	1941
Internal loan:				
Loan 1933		100		110
" 1934			100	108
" (lottery) 1938 (1)	100			100
External loan		100		85
Principal industrial shares (tram, flour mills, cement, breweries, etc.)	100			35
Public utility companies in liquidation (water, telephone Anatolian Plys.)	100			50
Central Bank of Turkey			100	202
Anatolian Railway Debentures	100			140

(1) has replaced 1918 loan.

A rise is noticeable in fixed revenue bearing shares.

(ii) Bond values

Nil.

(b) New capital issues (as a whole)

Nil.

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3. BUDGET

(a) Estimates

Nil.

(b) Current figures of revenue and expenditure.

No additional information available.

(c) Supplementary Expenditure

Nil.

(d) Issue of Government bonds and method of financing deficits.

The second issue of £25,000,000 Defence Bonds have been fully subscribed.

(e) Year's Accounts

Nil.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; whole-sale prices of import products, export products, agricultural products, industrial products.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or commercial accounts in

(a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Regular and chiefly on a cash basis.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

A Circular from the Ministry of Customs and Monopolies fixes the value of the Reichmark until the 31st Dec. 1942 at 50.50 ptrs. for exports and 50.76 for imports.

(b) Central Bank's reserve of foreign exchange.

Surplus during November 1941 £4,300 absorbed by the Central Bank against a deficit of £144,000 during November 1940.

The deficit Jan.-Nov. 1941 now totals £470,000 against £1,650,000 during the same period in 1940.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

(a) Changes in regulations.

The addition of a paragraph to Article 9 of Decree No. 12 relating to the protection of money obliges importers requiring the opening of credits abroad to pay for imports to import the goods concerned within a certain delay. Importers are liable to legal proceedings should they fail to import within the period specified.

(b) Changes in administrative delays and difficulties.

Nil.

(c) Delay in transfer

(i) in general

Nil.

(ii) for particular trades if they differ from normal

Nil.

(d) liquidation of arrears, if any to United Kingdom and other countries

Nil.

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8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements.
Nil.

(b) Position of liquidation of balances on either side.

No figures of clearing balance available. Central Bank returns however show the following:

	25.12.41	25.11.41
(1) With foreign correspondents of the Bank Devises and debit clearing accounts	£T 61.770.000	£T 55.500.000
(2) With Central Bank. Devises & credit clearing accounts.	25.740.000	29.150.000

Note however that the Turkish Treasury purchased during December 1941 a lot of 659 kilos fine gold valued at £T926,500 and that during 1941 the Treasury obtained a total of 3,453 kilos fine gold at £T4,857,000.

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

See previous report.

9. FOREIGN TRADE

(a) Total import and export figures

No figures available

(b) Import changes in direction

Nil

(c) General changes in tariff or in import restrictions recent or probable.

Law No. 4458 of the 23rd Dec. 1941 extends for two years. Law No. 3729 of the 9th Oct. 1941 which exempts war materials imported from abroad from the payment of customs dues.

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Financial facilities granted to Turkey by Great Britain has had a considerable effect on Anglo-Turkish trade exchanges. Goods are arriving from Great Britain in quantities and is producing a very satisfactory political re-action in Turkey. The country however, is very short of cereals and wheat, barley and maize is now being imported from Sterling area countries and South America.

An extremely vigorous winter has dislocated the country's transport services. Many centres are cut off from railway communications and sea transport has been disorganized. It is estimated that the country's means of communications have been reduced by 50% by the prevailing hard winter conditions.

The following is a list of the principal laws, decrees and circulars issued by the government and government departments during December 1941.

Decree No. 2/16905 of the 27th Nov. 1941 appends to Decree No. 2/7695 of the 23rd Nov. 1937.

The Council of Ministers approved the addition of a further paragraph to Article 9 of the Decree No. 12 concerning the protection of the value of Turkish money. This paragraph reads as follows:

The Central Bank of Turkey in order to assure cash payments for goods imported from foreign countries will, when opening credits, obtain from importers an undertaking to import such goods within a specified delay. Failure to import the goods within the specified time renders the guarantor liable to prosecution.

(NOTE) This decree is intended chiefly to apply to importation from the United Kingdom. The Central Bank has been carrying as much as £2,000,000 confirmed credits in the United Kingdom which has immobilized a large part of the balance in the Special Account).

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Law No. 4130 of the 1st Dec. 1941, authorizes the requisitioning of transport means for National Defence purposes.

Decree No. 2/16926 of the 27th Nov. 1941 enforces declaration of stocks of wood in Ankara and Istanbul and authorizes requisition by the government.

Decree No. 2/16937 of the 27th Nov. 1941 creates price control commissions in all vilayets.

Decree No. 2/16938 of the 27th Nov. 1941 modifies the 2nd paragraph of Article 14 of the Decision 147 of the Co-ordination Committee (Decree 2/15490 of the 27th March 1941). The Agricultural Bank is authorized to charge a commission of 1% on the sale of all cotton requisitioned on government account.

Law No. 4133 of 3rd Dec. 1941 ratifies the Notes exchanged between the Turkish and German governments extending for two months the delay mentioned in paragraph 4 of the Protocol 2 annexed to the Special Commercial Agreement of the 25th July 1940, which had already been extended until the 10th April, 1941.

Law No. 4139 of the 3rd Dec. 1941 ratifies the Notes exchanged between the Turkish and German governments concerning a further extension of two months, until the 10th August 1941, of the delay indicated in para. 4 of the Protocol 2 annexed to the Special Commercial Agreement of the 25th July 1940 which had already been extended until the 10th June 1941.

Law 4144 of the 11th Dec. 1941 ratifies the exchange of Notes between the Turkish and German governments extending until the 10th Oct. 1941 the Special Commercial Agreement of the 25th July 1940.

Decree No. 2/16952 of the 8th Dec. 1941 places at the disposal of the Eti Bank a capital of ET5,000,000 for the creation of stocks of copper. The amount to be refunded with interest as stocks are liquidated.

Decree No. 2/16961 of the 9th Dec. 1941 authorizes the Petrol office to conclude a loan of ET5,000,000 with the approval of the Minister of Commerce and with Banks to be designated by the Ministry.

Decree No. 2/16963 of the 9th Dec. 1941 (Decision No. 233 of the Co-ordination Committee) maintains until 31st Dec. 1941 an increase of 1 ptr per kilo on cereals bought by the office for the protection of agricultural products.

Decree No. 2/16859 of the 16th Nov. 1941 abrogates decision No. 169 of the 16th Jan. 1924 concerning the stamping of gold and silver wares by the Turkish Mint. The stamping of these wares is optional under the conditions set out in Law No. 1951.

A Circular issued by the Ministry of Commerce No. 40 of the 4th Dec. 1941 establishes the countries envisaged by Articles 1 and 2 of Decree No. 2/15843 concerning the General Import and Export Regime. Germany, United States of America, Bulgaria, Finland, Great Britain and the countries forming part of the sterling area, Ireland, Hungary, Roumania and the U.S.S.R. are included under Article 1 of this decree which stipulates that "Imports from countries which have concluded commercial and payments agreements with Turkey are free within the stipulations of these agreements and the dispositions of the General Import Regime.

Other countries including Greece and Norway are subject to Article 2 of this decree which stipulates that "Commercial exchanges with countries which have not concluded a commercial and payments agreement with Turkey will be effected on a private compensation basis or against payment in free currencies.

Circular No. 39 from the Ministry of Commerce dated the 24th Nov. 1941 sets out the conditions under which goods contained in jute sacks or cloth will be effected. The purchaser must furnish the packing or undertake to return it to Turkey. In case the packing is not returned the competent authorities will confiscate cautionary deposits in favour of the Treasury and account will be taken of this failure in the issue of further export licences.

Decree No. 2/16975 of the 10th Dec. 1941 fixes the price of cereals as follows:- wheat 13.50 ptrs per kilo, rye, 11 ptrs, barley 11 ptrs oats, 11.50 ptrs, mixed 11.50 ptrs.

Decision No. 1262 of the 12th Dec. 1941 extends the state of siege in the regions of Istanbul, Edirne, Kirkklareli, Tekirdag, Cannakale, and Kocaeli for a further period of six months.

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Law No.4153 of the 18th Dec. 1941 ratifies the commercial agreement concluded between Turkey and Germany on the 9th October 1941.

Law No.4154 of the 18th Dec. 1941 ratifies the Notes exchanged between the Turkish and British governments concerning the regime to be applied to countries which will be added to the list of countries forming the sterling area (The list of the Notes was not published).

Law No.4155 of the 18th Dec. 1941 ratifies the prolongation by two months of the Turkish-Roumanian commercial agreement signed on the 26th Sept. 1940.

Law No.4156 of the 22nd Dec. 1941 gives the Government the right of requisition of everything considered necessary for the public good and for National Defence.

D 45035-2 22 D/a 369 2/42

5

MONTHLY REPORT ON ECONOMIC
CONDITIONS IN TURKEY

O C T O B E R, 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.10.41	£T 282,800,000
25.9.41	275,200,000
25.10.40	260,800,000

<u>Note Circulation</u>	<u>25.10.41</u>	<u>25.9.41</u>	<u>25.10.40</u>
Old issue	137,000,000	137,000,000	139,500,000
Supplementary issue covered by gold	17,000,000	17,000,000	17,000,000
Supplementary issue covered by commercial bills	250,000,000	250,000,000	226,500,000
Supplementary issue by virtue of law No.3902 (advances to Treasury against gold)	105,500,000	94,000,000	-,-
	<u>509,500,000</u>	<u>498,000,000</u>	<u>383,000,000</u>

(b) Restriction or expansion of commercial credit.

Note circulation increased by £T11,500,000 in October 1941.

(c) Changes in commercial banking interest rates.

No change

Advances to Treasury according to Law 3850 remained at same level as in preceeding month i.e. £T167,500,000. On Oct. 25th 1940 uncovered advances to Treasury were £T1,000,000. Thus of the maximum limit of £T250,000,000 fixed by Law 3850 actual advances to Treasury between 20.7.40 and 25.10.41 amounted to £T167,500,000.

2. STOCK EXCHANGE

(a) General movement of

(i) share	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1941</u>
Internal loan:				
Loan 1933		100		100
" 1934			100	102
" (lottery) 1938 (1)	100			100
External loan		100		85
Principal industrial shares (tram, flour mills, cement, breweries, etc.)	100			36
Public utility companies in liquidation (water, telephone, Anatolian Rlys.)	100			50
Central Bank of Turkey			100	186
Anatolian Railway Debentures	100			140

(1) has replaced 1918 loan

(ii) bond values

Nil.

(b) New capital issues (as a whole)

Nil.

3. BUDGET

(a) Estimates

Nil.

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BUDGET (Contd.)

(b) Current figures of revenue and expenditure

Final results for June 1941 (1st month of Financial year 1941-42) compare with 1940 as under:

	1941-42 1er mois £T	1940-41 1er mois £T
Receipts ordinary	66,008,800	39,777,600
" extraordinary	16,650,700	12,395,600
" Miscellaneous	1,636,400	736,450
Treasury Refunds	887,270	354,000
	85,183,170	53,263,650

Comment. Ordinary revenue, as scheduled in the general budget, shows a notable increase over that of the previous year on account of new fiscal charges imposed since 1st June 1941.

(c) Supplementary expenditure

Nil

(d) Issue of Government bonds and method of financing deficits

Nil

(e) Year's Accounts

Nil.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products agricultural products, industrial products.

Please see comments for previous month. Retail prices are still soaring extravagantly in every branch. Exports prices have greatly increased owing to the keen German, Italian and British competitive demands.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 b) whether delays are due to transfer difficulties or to local business conditions.

Situation same as in September. Payments are regular and chiefly for cash.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate offered by the Caisse d'Amortissement £1 = 728 ptrs.

(b) Central Bank's reserve of foreign exchange.

Foreign exchange deficit made up by Central Bank of Turkey in Sept. 1941 = £3,500 as compared with £78,000 in Sept. 1940. Deficit for Jan.-Sept. 1941 period amounted to £438,000 against £1,436,000 Jan.-Sept. 1940. Free currency at disposal of Central Bank of Turkey in U.K., France, Switzerland, Sweden, Greece, Eire, Belgium, Japan in respect of clearing and compensation agreements are recorded in a special account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

(a) Changes in regulations

No change.

(b) Changes in administrative delays and difficulties

No change.

(c) Delay in transfer

(i) in general

Nil.

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- (ii) for particular trades, if they differ from normal.
Nil.
- (d) Liquidation of arrears, if any to U.K. and other countries.
No comment.

8. CLEARINGS

- (a) New Agreements; cancellation or modification of existing agreements.

A new trade agreement between Turkey and Germany was signed in Ankara on October 9th. It comprises reciprocal exchanges of goods according to specified lists and quotas to a value of £T96,000,000, on either side covering two export seasons and is valid up to 31st March 1943. The value of these exchanges is much superior to the reciprocal totals of trade exchanges before the war, between the two countries. Taking into account the higher price levels (about 75%), Turkish exports quota now fixed at £T47,500,000 annually would correspond to a pre-war figure of £T25-27,000,000. They represent therefore only 40% of Turkish export values to Germany in 1938 (£T62,200,000).

- (b) Position of liquidation of balances on either side.

No figures published since June 1941.

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Country	Premium on Imports	Exportation Premium		Percentage of transaction on which premium is payable 100%
		Spot	Forward	
Some free exchange premiums arising from Art. 5 of Decree 2/15843				
Belgium	48	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Compensation premia applied by the Central Bank.

U.K.	48	40	39	100
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9. FOREIGN TRADE

- (a) Total import and export figures

No figures published since May 1941

- (b) Important changes in direction

No figures available

- (c) General changes in tariff or in import restrictions recent or probable.

Nil.

- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Turkish Exports. - Competition between Germany, Italy, and U.K. for Turkey's export surpluses is acute. The turco-German Agreement provides inter alia for Turkish exports of cotton (£T7,000,000 chrome 45,000 tons in 1st quarter 1943 and mineral ores £T10,000,000) olive oil (£T7,000,000) oilseeds (£T4,500,000) mohair and goat hair (£T6,000,000) oilcake (£T2,250,000) skins (£T5,000,000) tobacco (£T20,000,000) sultanas (£T3,000,000) figs and hordas (£T6,500,000) hazelnuts (£T5,400,000) fish (£T2,500,000). The Turkish Government is now considering how far, in the best interests of the country, they may allow any surpluses to be exported. Until the new crops are harvested only old crop stocks may be exported.

FOREIGN TRADE (Contd.)

Communications. - The sea route via Trieste-Greece to Turkey is now being used for Turco-German traffic. A lucrative shipping trade (small vessels) plying between Istanbul and Burgas is in full swing and compensates in part for the lack of direct railway (goods) communications. The through railway route Istanbul-Thrace and onwards is expected to be open again by February 1942. The Germans are proposing to use the Odessa route directly they have dealt with the Russian Black Sea fleet. The bottleneck of Iskenderun is still a problem but a contract is shortly to be signed to improve port facilities. Clearances are still very slow and there is great congestion there.

Imports. - The Turkish Government is pressing for the supply of 50,000 tons wheat and 50,000 tons barley to cope with increased military requirements. The general position as regards supplies from abroad is becoming increasingly difficult. In the first place the satisfaction of Turkish Government civilian requirements from British Empire sources and from U.S.A. (Lease and Lend supplies) is subject to Mid East Supplies Centre, control and conditioned by M.E.W. rationing, shipping space and home authorities licensing controls. Turkey's imports are now forecast six months ahead and monthly programme of shipment is worked out; moreover, transit traffic through Iraq, Syria and Egypt is coming more strictly under the control of the British authorities in order to prevent contraband re-exports from those countries. All these measures tend to restrict the volume of imports. Further requirements from Empire sources for the general market are now largely brought in through the intermediary of the U.K.C.C. It is becoming increasingly evident that the home Export Licencing Controllers are refusing production and export licences for the majority of orders which do not directly or indirectly help the allied war effort. On account of this position the Turkish Government is requisitioning certain essential supplies and raw materials on arrival and re-distributing through the Ministry of Commerce.

German deliveries. - As regards German promises of deliveries, the new agreement prescribes delivery c.i.f. Istanbul against Turkish exports f.o.b. Istanbul. Financial quotas have been allotted to the various Turkish Government departments but it will be some time before contracts can be finalized between government departments and German firms. Under the circumstances it is not anticipated that deliveries of German goods will be made until a considerable time has elapsed. The Turks will press for early delivery of war material, railway material, rolling stock, and machinery and spares.

Supply of jute bags and hessians. - The M.E.W. has now partially raised the ban on imports of jute bags and hessians and permitted the re-export of same as packing material to Germany against assurances from Ministry for Foreign Affairs that such re-exported bags and sack will be returned to Turkey. Large quantities of bags and hessians which have been held up for months will now be allowed to come forward (about 1000 t. up to end of 1941) from India, Basra and Egypt to the great advantage of the Turkish export trade.

An L.M.S. locomotive and a number of railway waggons from U.K. were inspected in Ankara by the Minister of Communications early November. Other locomotives and waggons are being mounted in the railway shops at Sivas.

A Swiss delegation is expected shortly in Ankara to discuss difficulties which now hamper trade exchanges between the two countries.

TURKEY. *Be*

September 30, 1941.

CONFIDENTIAL.

SECTION 1.

[R 8759/378/44]

Copy No. 063

Sir H. Knatchbull-Hugessen to Mr. Eden.—(Received September 30.)

(No. 256 E.)

Sir,

Angora, September 3, 1941.

WITH reference to my despatch No. 488 of the 2nd October, 1940, regarding the preliminary figures for the budget of the fiscal year 1939-40, I now have the honour to transmit to you herewith the accompanying memorandum prepared by my commercial secretariat showing the final results of the financial year ended the 30th June, 1940, as published by the Turkish Treasury, with comparative figures for the preceding year.

I have, &c.

H. M. KNATCHBULL-HUGESSEN.

Enclosure.

*Turkish State Budget.**Final Results, Financial Year 1939-40.*

THE Treasury has just published final returns for the financial year 1939-40. They compare with 1938-39 as under:—

	1939-40.	1938-39.
	£T.	£T.
Ordinary revenue	256,485,309	257,088,972
Extraordinary revenue	113,924,866	54,860,100
Proceeds of Sivas-Erzurum Loan ...	4,281,363	4,639,597
Treasury refunds	5,827,602	4,104,440
Miscellaneous receipts	9,202,724	2,240,740
	389,721,864	322,933,849

The ordinary revenue is that provided for in the general budget. This revenue, despite a heavy fall in customs dues, was only £T. 600,000 less than that for 1938-39. This was due to improved returns from other sources.

Customs revenue in 1939-40 decreased by £T. 21,500,000 as compared with 1938-39, but this decrease was practically entirely compensated by increased returns from:—

	£T.
(a) Profit tax	+2,800,000
(b) Monopoly net profits	+2,000,000
(c) Crisis tax	+2,000,000
(d) Equalisation tax	+1,200,000
(e) Sugar tax	+4,800,000
(f) Turnover tax on locally made goods, &c. ...	+3,000,000

[22-19]

Extraordinary revenue (total £T. 113,924,866) was realised as follows:—

	£T.
(1) Balance of extraordinary revenue brought forward from previous year	18,243,853
(2) Mint (silver money struck)	1,645,525
(3) Yield from 5½ per cent. bonds as cover for bank deposits	1,592,664
(4) Yield from nine months' Treasury bonds (rediscount of Treasury bonds by Central Bank)	3,815,019
(5) Yield from bonds issued by State Railways	96,851,673
(6) Inscription of receipts from British credit	11,000,000
(7) Yield from monopoly bonds	1,979,742
(8) Open credit at the Agricultural Bank	8,000,000
(9) Sale of bonds	210,000
(10) Accounts for Treasury	814,192
	144,152,668
Amount unused and carried forward to next year	30,227,802
	113,924,866

Extraordinary revenue, as compared with that of 1938-39 (£T. 73,103,853 — amount carried forward of £T. 18,243,853 = £T. 54,860,100), shows an appreciable increase. This is due to the yield from the issue of Turkish State Railway bonds, guaranteed by the Treasury and discounted at the Central Bank.

Apart from the extraordinary revenue listed above, the yield from the portion of the Sivas-Erzurum Loan called in November 1939 amounted to £T. 4,281,363.

Amongst miscellaneous receipts (£T. 9,202,724) should be noted—

	£T.
(i) Amounts realised in virtue of Laws 2794, 3136 and 3322 for the profit of the Caisse d'Amortissement	7,198,054
(ii) Sums accruing to the Treasury arising out of the collection of arrears of the property tax ("impot foncier")	1,556,678

Included under Treasury accounts (£T. 5,827,602) are:—

(i) Profits made by the Caisse d'Amortissement	2,275,277
(ii) Share of Treasury in yield of prestation tax	1,292,108
(iii) Grants to the Aviation Committee	1,279,160

Most of the revenue figuring under "Extraordinary Receipts" came from loans. These are indicated under headings 1, 3, 4, 5, 6, 7 and 8 (above), plus the yield from the Sivas-Erzurum Loan.

Yield from loans therefore during the year 1939-40 amounted in all to £T. 145,764,314. Of this sum, an amount of £T. 30,227,802 (as reported above) was not used, so that the moneys arising out of loans contracted in 1939-40 applied to necessary expenditure during the financial year totalled £T. 115,536,512.

Expenditure in 1939-40 amounted to £T. 398,692,270. An amount of £T. 380,355,244 was actually expended and a further amount of £T. 18,357,026 has been carried forward to the next year to be set against running accounts also carried forward to next year amounting to £T. 54,610,917.

Not counting the loans, the final results for 1939-40 work out as follows:—

	£T.
Revenue	274,185,352
Expenditure	398,692,270
Deficit	124,506,918

Thus revenue only covered 69 per cent. of general expenditure, the 31 per cent. being met by loans.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

S E P T E M B E R, 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25.9.41	£T275.200.000
25.8.41	272.600.000
25.9.40	258.100.000

Note Circulation	25.9.1941	25.8.1941	25.9.1940
Old issue	137.000.000	137.000.000	139.500.000
Supplementary issue covered by gold	17.000.000	17.000.000	17.000.000
Supplementary issue covered by commercial bills	250.000.000	250.000.000	206.500.000
Supplementary issue by virtue of law No. 3902 (advance to Treasury against gold)	94.000.000	94.000.000	-.-
	<u>498.000.000</u>	<u>498.000.000</u>	<u>363.000.000</u>

(b) Restriction or expansion of commercial credit

No change in note circulation.

(c) Changes in commercial banking interest rates.

No change.

Advances to Treasury according to Law 3850 remained at same level as in August, viz: £T167,500,000. As at September 25th 1940 these advances amounted to £T9,000,000. Thus of the maximum limit of £T250,000,000 fixed by Law 3850 (May 30th 1940) advances to Treasury between 20.7.40 to 25.9.41 totalled £T167,500,000.

2. STOCK EXCHANGE

(a) General movement of

(i) share

	1929	1933	1934	1941
Internal loan:				
Loan 1933		100		100
" 1934			100	102
" (lottery) 1938(1)	100			100
External loan		100		79
Principal industrial shares (tram, flour mills, cement, breweries, etc.)	100			35
Public utility companies in liquidation (water, telephone, Anatolian Rlys.)	100			47
Central Bank of Turkey			100	175
Anatolian Railway Debentures	100			132

(1) gas replaced 1918 loan

(ii) bond values

Nil.

(b) New Capital issues (as a whole)

Nil.

3. BUDGET

(a) Estimates

Law 4124 of 23.9.41 sanctions an extraordinary credit of £T57,000,000 to 1941 budget credit of National Defence Ministry already allotted for military requirements, i.e. £T83,000,000 (Law 4054).

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1

- (b) Current figures of revenue and expenditure
Nil.
- (c) Supplementary expenditure
Nil.
- (d) Issue of Government bonds and method of financing deficits.

(i) Law 4126 of 23.9.41 published 26.9.41 sanctions Ministry of Finance to lend to Erzurum Municipality £T1,300,000 and to Erzincan £T2,000,000 to be reimbursed to Treasury as from 1946 in 20 annuities.

(ii) Law 4120 of 23.9.41 raises plafond of savings bonds to be issued to £T50,000,000. £T25,000,000 were sold between July and 15th Sept. 1941.

- (e) Year's Accounts.

Provisional results for the financial year 1940-41 compare as under with final results for 1939-40.

	1940-41	1939-40
	£T	£T
Ordinary revenue	286.564.000	256.485.000
Extraordinary "	279.708.000	113.925.000
Sivas-Erzurum loan	5,510.000	4.281.000
Miscellaneous revenue	3,835.000	9.203.000
Treasury refunds	8.529.000	5.828.000
	584.146.000	389.722.000

Ordinary revenue was up by £T30,000,000. Comparative figures for some items are quoted below.

	1940-41	1939-40
	£T	£T
Customs receipts	19.572.000	34.456.000
Turnover tax	8.034.000	10.616.000
Profits and other special consumption taxes	20.131.000	13.760.000

Extraordinary revenue (chiefly from loans) rose by £T166,000,000 on account of special advances to Treasury under law 3850 of 30th May 1940 against special gold deposit (U.K. gold loan) of this advance Treasury used £T158,500,000 in the 1940-41 fiscal year. Other miscellaneous receipts diminished but refunds to Treasury increased. General expenditure amounted to £T525,000,000 and £T20,000,000 was carried forward to cover commitments of the same year. Thus total expenditure was £T545,000,000. A part of this expenditure was met from extraordinary receipts i.e. loans.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

The Ministry of Commerce, Ankara, has published the following comparative indice of cost of foodstuffs

Foodstuffs	September, 1939	June, 1941
Ankara	110	147.4 = +34%
Istanbul	120	163 = +36%

These indices do not represent the increased cost of living, since they do not take into account the cost of clothing and other articles which have risen 100-200% in the same period.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

No change. Payments regular and for cash.

6. EXCHANGE

"Black" or other rates not quoted in London. Rates for compensation
banks or other special currencies.

Favourable rate offered by the Caisse d'Amortissement £1 = 728 ptrs.

(b) Central Bank's reserve of foreign exchange.

Foreign exchange deficit made up by Central Bank of Turkey in August 1941
£14,500 as compared with £77,000. Deficit Jan.-Aug. 1941 amounted to
£441,000 as against £1,357,000 for Jan-Aug. 1940 period.

Free currency at disposal of Central Bank of Turkey in U.K., France,
Switzerland, Sweden, Greece, Eire, Belgium, Japan, in respect of clearing and
compensation are kept in a special account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency
on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

Changes in regulations. No change.

(b) Changes in administrative delays and difficulties.

No change.

(c) Delay in transfer.

(i) in general.

Nil.

(ii) for particular trades if they differ from normal.

No figures published.

(d) Liquidation of arrears, if any to U.K. and other countries.

No comment.

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements.

No change.

(b) Position of liquidation of balances on either side.

No figures published since June, 1941.

(c) Premiums or discounts on official rate of exchange in making payments
to and from the clearings.

Country	Premium on Imports	Exportation Premium Spot	Forward	Percentage of transaction on which premium is payable 100%
Some free exchange premiums arising from Art. 5 of Decree 2/15843	48	48	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100
Compensation premia applied by the Central Bank.				
U.K.	48	40	39	100

9. FOREIGN TRADE

(a) Total import and export figures.

The Turkish Government have ceased publishing import and export figures,
consequently the figures for the month of July are not available.

(b) Important changes in direction.

Nil.

(c) General changes in tariff or in import restrictions recent or probable.
Law 4119 of 23/9/41 published 25/9/41 exempts from customs duties all taxes the following articles imported by the Turkish Red Crescent and public relief committees providing the prior consent of the Government is obtained to the import of same.

- (i) Scientific instruments, sanitary apparatus, medical goods, and all kinds of hygienic goods.
 - (ii) All articles, materials, foodstuffs, vehicles dealt in by the Red Crescent and above named committees.
 - (iii) Supplies and raw materials and equipment for established depots and for new installations.
- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Stocks - U.K.C.C. stocks at end of August awaiting export included:-

	<u>Metric Tons</u>
Mohair	254
Cottonseed oil	800
Raisins	861
Olive oil	5,091
Oilcake	17,533
Jute	990
Zinc concentrates	2,285
Lead "	4,975

Export Trade - Cotton. Statistics released on September 10th indicate that this year's cotton crop in the Adana region will yield 135-140,000 bales as compared with 179,000 bales last year. The deficit is due to drought in the Adana region. The quality however is far superior to that of 1940. In the Aegean region the crop is better both in quality and quantity. Thus on the whole results are good.

Coal - The Turkish Government has sanctioned the export of 30,000 tons of coal to allied countries in the Eastern Mediterranean this season.

Sugar - No export surplus available. Crop estimated at 500/600,000 tons beet = 85/90,000 tons sugar (on low side). Consumption this year, despite a price rise of 50% over 1940, has risen by 15-20%. The Office of Commerce imported in August/September 5,000 tons (3,000 cube and 2,000 crystal) for the requirements of the Sugar Monopoly.

Turkish Ministry of Commerce has agreed to issue export permits for shipment to Greece of 50,000 tons of following items for the relief of the starving population. Purchases will be made by the U.K.C.C. in Turkey. Shipment and distribution will be under the auspices of the Turkish Red Crescent and International Red Cross, Athens. Funds will be provided by the latter organisation.

Fish (unlimited quantities)
Onions 5,000 tons
Eggs 2,000 (cases)
Potatoes 5,000 tons
Boar's meat (unlimited)
Chickpeas 5,000 tons
Beans (amount to be fixed)
Livestock 50/40,000 goats and kids

Chrome - 16,895 tons were shipped for H.M. Government Account in August (a record). Total shipped January 1st/August 31st, 1941: 50,816 all for British Government account.

Dried Fruit - Latest reliable reports September 21st regarding fruit crops are as under:

Sultanas 30,000 tons maximum
Figs 34,000 "

Import Trade - Four or five British ships reached Souther Turkish ports in August with taanshipment cargoes from Egypt. Deliveries included (in tons):

Cocoa beans 36	Tin refined 80
Rubber sheets 80	Timplates (boxes) 15,000
Wet salted hides (bales) 807	Sulphur 4,290
Motor vehicles tyres and	Locomotives 6 and waggons
inner tubes 1,547 packages	Phosphates 3,500 tons

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Also, war material, machinery and general merchandise for Government Departments, semi-official organisations and general market. Moreover, shipping space for 5,500 tons heavy chemicals and a further 80 tons rubber and 20,000 tons wheat has been reserved to Turkey before the end of 1941. Trade and official circles were much gratified at these deliveries - particularly as practically nothing is coming in from Germany. Turkey, however, still requires a further 25,000 tons wheat on the grounds that this year's crop is short by some 150,000 tons. They are prepared to send ships to Egypt to lift it.

Improvements at the port of Iskenderun in the shape of a deep water pier have been sanctioned to cope with the abnormal strain thrown on this small port. A British firm will execute the contract directly the necessary Government decree is passed.

Petroleum Products. The shortage is acute and strict rationing of supplies for motor vehicles is causing great inconvenience to passenger and goods traffic. Taxis and such private cars as have permits to circulate (e.g., diplomatic missions) are allowed the totally inadequate amount of 6 litres daily. Taxi fares have been increased by 35%.

Import Credits. Import credits to an amount of £T590,000 were recently opened by the Turkish Ministry of Commerce, and include:-

- (a) for motor buses and tramway material from Switzerland.
- (b) 50 tons naphthaline from Bulgaria for the Government and 100 tons for the market. Plans are being studied for setting up a naphthaline plant at Karabuk.
- (c) other credits include £T500,000 for sulphur (decree 2/16605)
- (d) A separate credit of \$500,000 for 14,000 tyres.

Coffee. 20,000 bags were recently delivered to Izmir 25,000 bags are stored at Iskenderun. A further 45,000 bags arrived at Iskenderun (ss.Ponce) in August. Turkey has now approximately one year's supply.

Tea. Eleven thousand cases of tea for Turkey are said to be stored in Bagdad. One thousand cases were recently released, and many other lots have been navicerted.

The cost of imports and also of local products is steadily rising. The Ministry of Commerce officially informed the UKCC in August that the whole-sale export prices of the commodities listed below had increased this year over last in the proportions indicated:

Ftrs per kilo	1940	1941	Increase
Sugar	30	50	66%
Rice	25	45	80%
Pure oil	100	170	70%
Olive oil	60	100	66%
Soap	40	65	63%
Coffee	120	240	100%
Tea	450	850	90%

Whilst other imported articles such as nails, steel wire, machinery, automobile parts, etc., showed increases varying from 60 to 150%.

Finance. The subscription lists to the 25 million Turkish pounds worth Savings Bonds issued by the Ministry of Finance to meet military requirements were closed on the 14th September. A new issue for a similar amount has been authorized.

Communications. It is reported that an agreement has been concluded between the Turkish, Iraqi and Syrian railway administrations regarding the transport of goods through these countries and suitable distribution of traction and rolling stock.

Purchases by U.K.C.C.

In September U.K.C.C. purchased 10,000 tons figs (of the new crop)
5,000 " sultanas.

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MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

AUGUST 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Commercial Bills discounted:

25/8/41	Ltqs. 272,000,000
25/7/41	" 264,600,000
25/8/40	" 256,300,000

Note Circulation	25/8/1941	25/7/1941	25/8/1940
Old issue	137,000,000	137,000,000	140,000,000
Supplementary issue covered by gold	17,000,000	17,000,000	17,000,000
Supplementary issue covered by commercial bills	250,000,000	250,000,000	203,000,000
Supplementary issue by virtue of law No. 3902 (advances to Treasury against gold)	94,000,000	113,000,000	-
	<u>498,000,000</u>	<u>517,000,000</u>	<u>360,000,000</u>

(b) Restriction or expansion of commercial credit.

Advances to Treasury under Law 3850 authorizing a maximum of Ltqs. 250,000,000 remained as in the previous month at Ltqs. 167,500,000. At August 25th, 1940, uncovered advances to the Treasury amounted to Ltqs. 4,200,000 only.

(c) Changes in commercial banking interest rates.

No change.

2. STOCK EXCHANGE

(a) General movement of

(i) share

	1929	1933	1934	August 1941
Internal loan				
Loan 1933		100		100
" 1934			100	102
" (lottery) 1938 (I)	100			100
External loan		100		73
Principal industrial shares (tram, flour, mills, cement, breweries, etc.)	100			31
Public utility companies in liquidation (water, telephone, Anatolian Rlys.	100			43
Central Bank of Turkey			100	180
Anatolian Railway				
Debentures	100			128

(I) has replaced 1918 loan.

(ii) bond values

nil.

(b) New capital issues
(as a whole)

nil.

3. BUDGET

(a) Estimates

nil.

(b) Current figures of revenue and expenditure.

State Railways. Revenue for first nine months (June-February) of the financial year 1940-1941 compares with the 1939-1940 period as under:

	9 months 1939-40 Ltqs.	9 months 1940-41 Ltqs.	Difference %
Passengers	9,916,227	10,212,606	+ 2.9
Baggage	251,805	356,842	+ 41.7
Parcels	319,064	373,666	+ 17.1
Fast goods	1,533,325	1,916,216	+ 24.9
Slow goods	18,162,325	23,356,238	+ 28.5
Miscellaneous receipts	629,299	258,952	- 58.8
Port Haydarpasa	637,579	605,391	- 5.0
" Derince	56,095	53,576	- 4.4
Transit Trabzon-Iran	30,020	54,271	+ 80.7
	<u>31,535,739</u>	<u>37,187,757</u>	<u>+ 17.9</u>

The 1940/41 figures do not include certain figures which were incorporated in the 1939/40 "Passenger Revenue" and "Slow Goods". Revenue under these two headings in the first nine months 1940/41 amounted to Ltqs. 5,100,678. Thus the total revenue June/February 1941 amounted to Ltqs. 42,288,435 showing an increase of 34.1% on that of June 39/February 40.

(c) Supplementary Expenditure.

Nil.

(d) Issue of Government bonds and methods of financing deficits.

Law 4110 of 12/8/41 raises the plafond of Bonds to be issued by the Monopoly Administration from Ltqs. 31,500,000 (Law 3697) to Ltqs. 6,500,000. Law 3627 of 31/5/39 authorized Monopolies to issue bonds to extent of its capital to feed Treasury Funds.

Final results for the financial year 1939/40 have now been published by the Turkish Treasury as under:

	1939-40 Ltqs.	1938-39 Ltqs.
Ordinary Revenue	256,485,309	257,088,972
Extraordinary Revenue	113,924,866	54,860,100
Sivas Erzurum Loan	4,281,363	4,639,597
Miscellaneous Revenue	9,202,724	2,240,740
Treasury Refunds	<u>5,827,602</u>	<u>4,104,440</u>
	<u>389,721,864</u>	<u>322,933,849</u>

If loans be subtracted, the results for 1939/40 work out as under:

Revenue	Ltqs. 274,185,352
Expenditure	" 398,692,270
<u>Deficit</u>	<u>124,506,918</u>

Thus revenue only covered 69% of general expenditure. The balance of 31% was covered by loans.

(e) Year's accounts.

Nil.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

The Ministry of Commerce has now published comparative indices * for April 1941 on basis of 1938 = 100 in respect of 18 articles foodstuffs, viz:

* 1938 = 100	Year 1938	1939	1940	1941 (April)
Ankara	100.9	105.2	114.5	135.8
Istanbul	102.7	105	115	138.6
Average for Turkey	103	104.6	114.6	140.8

These indices show an average rise between early 1939 and April 1941 of over 40% for the 18 items of food selected. The Istanbul Chamber of Commerce no longer publishes indices. The last ones issued were for January 1941, viz:

Basis first six months of 1914 = 100 (paper currency)

	(a)	(b)	(c)
August 1938	904	981	893
" 1939	944 = + 4.5%	912 = 7%	893 = 0
" 1940	1086 = + 17%	1045 = + 6%	1035 = 13.7%
January 1941	1369 = + 51%	1144 = + 14%	1035 = 13.7%

(a) = Foodstuffs: 22 articles
(b) = Fuel, Light, Cleaning: 5 articles
(c) = Clothing, Furniture: 3 articles

} for a middle class family with 3 children.

These indices show a rise of 46.5% for foodstuffs alone for period August-1939-January 1941.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trade so as to show (with 7 (b)) whether delays are due to transfer difficulties or to local business conditions.

Position the same as reported in July.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate offered by the Caisse d'Amortissement £1 = 728.

(b) Central Bank's reserve of foreign exchange.

Deficit of sterling in July 1941 = £100 covered by Central Bank of Turkey as compared with July 1940 = £94,000. Thus the deficit for period January/July 1941 amounted to £27,000 as against £1,280,000 in January/July 1940 period.

Free currency at disposal of Bank of Turkey in U.K., France, Switzerland, Greece, Eire, Belgium, Japan on clearing and compensation account is recorded in a special account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

(a) Changes in regulations.

No change.

(b) Changes in administrative delays and difficulties.

No change.

(c) Delay in transfer
(i) in general

No change.

(ii) For particular trades, if they differ from normal.

Nil.

(d) Liquidation of arrears, if any to U.K. and other countries.

No comments.

8. CLEARINGS

- (a) New agreements; cancellation or modification of existing agreements. 

Switzerland, since 1st August, 1941, was in the category of countries not bound to Turkey by a Commercial and Payments Agreement. A recent decision of the Ministry of Finance ordered that all transfers of capital, currency or credits (commercial and private), as also of stocks and shares, of any description whatsoever in Turkey, by Swiss subjects between the two countries, either way, could only be effected after examination by, and authorization of, the Ministry of Commerce, Ankara.

- (b) Position of liquidation of balances on either side. No figs. published since June.
- (c) Premiums or discounts on official rate of exchange.

Country	Premium on Imports	Exportation premium		Percentage of transaction on which premium is payable 100
		Spot	Forward	
Some free exchange pre- miums arising from Art. 5 of Decree 2/15843				
Belgium	48	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Compensation premia applied by the Central Bank

U.K.	48	40	39	100
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9. FOREIGN TRADE

- (a) Total import and export figures.

The Turkish Government have ceased publishing import and export figures, consequently the figures for the month of July are not available.

- (b) Important changes in direction.

Nil.

- (c) General changes in tariff or in import restrictions recent or probable.

Nil.

- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Law 4099 of 11/8/41 authorizes expenditure by the Ministry of Public Works up to Ltqs. 7,200,000 (to be spread over future budgets) for canal work in Ankara.

Decree 2/16454 of 21/8/41 authorized the Ministry of Economy to control production and sale of all textiles manufactured by the factories of the Sumer Bank and of private factories. The same decree sanctions purchase and distribution and sale of locally made packing cloths styled Cabots. Control will be exercised through the Sumer Bank.

IMPORT POSITION

The market is short of flour, wheat, tyres, wool, rubber, tin tins, lubeoils and petroleum products. Twenty thousand tons (Approx.) of war, and railway material, also general merchandise for Turkey was lying in Egypt awaiting transshipment at the end of August. A Turkish Mission left for that country August 29th to co-operate in reforwarding this material. A few British ships have already reached Alexandretta (Iskenderum) where unloading and clearance is being speeded up. It is hoped that some Turkish ships will be authorised for this traffic.

As regards the Iraq transit traffic, the bulk of the goods destined for Turkey had been sent forward by the middle of August. The position is now normal except that deliveries to Basra will be rationed in view of military requirements.

Railway communication from Istanbul with Central Europe is still broken but seaborne transit traffic to Varna is developing again, as also transit traffic from Varna and Istanbul to Italy via Greece. Italian tankers, Roumanian and Bulgarian vessels are being used to carry oil and wheat to Trieste for Germany.

TRADE NEGOTIATIONS

Large scale trade negotiations with Italy and Germany are now in progress. Italy is offering gold instead of essential goods. Germany is more anxious to take options on Turkish products than effect deliveries of Turkish requirements. The Germans have raised their prices by 40/50%. This will be reflected in Turkish export prices this season.

An official purchasing agent of the Turkish Ministry of Commerce is in India, to place large orders for jute manufactures, cotton yarn, cloth, hides and steel.

SMYRNA FAIR

British participation at the Smyrna Commercial Fair has been on a most satisfactory scale and greatly appreciated by the Turkish local official and trade circles. The British effort, which includes pavilions and exhibits by (a) British firms (b) U.K.C.C. (c) British Council (with 2,000 books, films and broadcasting); H.M.G. stands showing extent of Government purchases of Chrome and Tobacco, (e) engineering and road-making exhibits, is generally acclaimed much superior to the German effort and display.

EXPORT POSITION

U.K.C.C. purchases of Turkish products during the export season 1940/41 up to 1st September, 1941, are returned as follows:-

5,000 tons Olive Oil	Ltqs. 3,100,000
17,800 " Oilcake	890,000
25,000 " Raisins	7,500,000
11,000 " Figs	1,815,000
3,200 " Mohair (40,000 Bs.)	6,400,000
300 " Dried Fruits	150,000
800 " Cotton seed oil	440,000
1,400 " Hemp & Flax	1,029,000
1,500 " Beans	135,000
400 " Valer	120,000
50 " Fish (Tinned & Salted)	12,500
15 " Eels	6,000
66,465 "	
15,000 cubic metres Timber	918,340
	Ltqs. 22,515,840

Not including Tobacco and Chrome.

The new export season for figs, dried fruits, nuts, etc., is about to begin, and negotiations for bulk purchase of Turkish products are in progress. Higher prices this year are being fixed by the Ministry of Commerce and the Export Unions.

Crops. A recent decree gives the Ministry of Commerce the right to acquire where it judges necessary the 1941 harvest.

Sultana crop is estimated at 40/45,000 tons and Olive Oil at 35,000 tons.

Cotton. In order to maintain the value of the cotton production, the Ziraat Bank will again buy directly from producers. Cultivation has been concentrated on the Akala and Cleveland types. The harvest is expected to be of excellent quality and abundant.

Tobacco. Forecast of crop. Total production.

	<u>Metric Tons</u>
Marmara	12,608
Black Sea	13,643
Aegean	25,009
E. Anatolia	2,500
<u>Grand Total</u>	<u>54,660</u>

Public Works. By Law 4100 of 8/8/1941 the Ministry of Public Works authorizes the expenditure of a further 50 million Turkish Liras at the rate of 9 million liras annually up to the end of 1946, for (a) irrigation works; (b) works for the improvement of the water system; and (c) work to prevent the overflow of rivers and flooding, particularly in Southern Turkey. The Ministry is also concerned with the electricity of the country and in particular for the creation of an Electricity Generating Plant at Kutahya to profit from the Lignite Deposits there.

Important engineering contracts, and valuable contracts for equipment and materials are available for U.K. for U.K. firms if they can obtain sanction to go in for these long term projects and obtain the necessary production and export licences.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

JULY 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No change

Commercial Bills discounted

July 20 1941	£264,600,000
June 20 1941	273,700,000
July 20 1940	260,200,000

<u>Note Circulation</u>	<u>20.7.1941</u>	<u>20.6.1941</u>	<u>20.7.1940</u>
Old issue	137,000,000	137,000,000	139,900,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	17,000,000
Supplementary to old issue covered by commercial bills	250,000,000	250,000,000	200,000,000
Supplementary issue in virtue of Law 3902 (Advance to Treasury against gold).	113,000,000	118,000,000	-,-
	<u>517,000,000</u>	<u>522,000,000</u>	<u>356,900,000</u>

(b) Restriction or expansion of commercial credit

Advances of Central Bank to the Treasury diminished by £7,813,000 as compared with preceeding month. An amount of £167,685,000 had been advanced to the Treasury on July 20th 1941 as against £175,498,000 on June 20th 1941 (under Law 3850 against gold deposit of kgs. 55,541.930). In 1940 (July 20) no advance had been made under this law. The treasury re-imbursed the Central Bank £17,813,000 (taken under Law 3850). Thus the advances utilized by the Treasury between 20th July 1940 and 20th July 1941 totalled £167,685,000 as against £175,498,000 on 20th June 1941.

(c) Changes in commercial banking interest rates.

No change

2. STOCK EXCHANGE

(a) General movement of (i) share

	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1941</u>
Internal loan:				
Loan 1933		100		100
" 1934			100	102
" (lottery) 1938 (1)	100			98
External loan		100		80
Principal industrial shares (tram, flourmills, cement, breweries, etc.)	100			33
Public utility companies in liquidation (water, telephone, Anatolian Rlys.)	100			47
Central Bank of Turkey			100	183
Anatolian Rly. Debentures	100			136

41307-1

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(1) has replaced 1918 loan

(ii) bond values

nil

(b) New capital issues
(as a whole)

nil

3. BUDGET

(a) Estimates

nil

(b) Current figures of revenue and expenditure

Comparative statistics of revenue for periods June 1940-February 1941,
June 1940-March 1941, and for June 1940-April 1941 are given below:

(a)	1940-41 (9 mths June-Feb.)	1939-40 (9 mths)	Difference	
	£T	£T	£T	
Ordinary revenue	219,029,000	193,974,000	+	25,055,000
Extraordinary "	157,238,000	116,900,000	+	40,338,000
Miscellaneous "	12,393,000	6,721,000	+	5,672,000
Treasury Refunds	7,346,000	9,619,000	-	2,273,000
	396,006,000	327,214,000	+	68,792,000

(b)	1940-41 (10 mths June-Mch)	1939-40 10 mths.	Difference	
	£T	£T	£T	
Ordinary revenue	239,543,000	213,340,000	+	26,203,000
Extraordinary "	164,739,000	129,126,000	+	35,613,000
Miscellaneous "	12,628,000	6,992,000	+	5,636,000
Treasury Refunds	7,461,000	9,725,000	-	2,264,000
	424,371,000	359,183,000	+	65,188,000

(c)	1940-41 (11 mths June-Apr)	1939-40 11 mths.	Difference	
	£T	£T	£T	
Ordinary revenue	261,195,000	230,075,000	+	31,120,000
Extraordinary "	186,597,000	130,966,000	+	55,631,000
Miscellaneous "	12,788,000	7,094,000	+	5,694,000
Treasury Refunds	7,611,000	9,865,000	-	2,254,000
	468,191,000	378,000,000	+	90,191,000

N.B. Reference Table (c). The increase of £T13,120,000 in ordinary revenue in the June 1940-April 1941 period is due to increased taxation yield. The increase of £T55,631,000 in extraordinary receipts arises out of "advances" to the Treasury as from 1st June 1940.

(c) Supplementary Expenditure

Nil

(d) Issue of Government bonds and
method of financing deficits.

Savings bonds of 5,25,100,500 and 1000 Turkish liras, repayable in 3,6, and 12 months (at will of buyer) and bearing cash interest @ 4% for 3 mths, 5% for 6 mths, and 6% for 1 year, have now been put on the market through the Banks, and Lottery Bureaux. These bonds are to serve as security for National Defense Loans. They can be re-imbursed before maturity with a 0.50% discount.

(e) Year's Accounts

nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products agricultural products, industrial products.

See previous reports. The level of prices and cost of living continues to rise. Prices reflect new taxation and surcharges valid as from 1st June 1941 and increased profit margins approved by Ministry of Commerce as a result of increased costs of supply and raw material.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Payments are regular and mostly for cash.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate offered by the Caisse d'Amortissement £1 = 728 ptrs.

(b) Central Bank's reserve of foreign exchange.

Deficit of exchange in June 1941 £15,600; met by Central Bank of Turkey, as compared with £183,500 in June 1940. Thus the deficit in Jan.-June 1941 amounted to £427,000 as compared with £1,186,000 in period Jan.-June 1940. Free exchange at the disposition of the Central Bank of Turkey in U.K., France, Switzerland, Sweden, Greece, Eire, Belgium, Japan, arising out of clearing and compensation transactions are kept in a special account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden

7. EXCHANGE CONTROL

(a) Changes in regulations.

Attention is drawn to the following decrees:-

2/15843 of May 26th 1941 reported in despatch E.173 of June 19th 1941. Circular No.20 of Ministry of Commerce dated June 26th reported in O.T."B" 147/41 of 17th July, Circular of Ministry of Commerce dated July 11th Reported in O.T."B" 151/41 of July 24th, Decree 2/16202 of July 15th reported in despatch E.235 of August 6th.

All the above deal with the General Import Regime and the allocation of foreign exchange for imports, as also the transfer of blocked funds.

(b) Changes in administrative delays and difficulties.

Nil

(c) Delay in transfer

(i) in general

nil

(ii) for particular trades if they differ from normal

nil

41307-1

- (a) Liquidation of arrears, if any to U.K. and other countries.

The recently published decrees and circular instructions referred to in (a) above, coupled with the Anglo-Turkish Financial Agreement, all tend to speed up the procedure for liquidating arrears.

8. CLEARINGS

- (a) New agreements; cancellation or modification of existing agreements.

Negotiations for a trade and payments agreement with Sweden which had been in progress for some time have broken down (see Tel. 525 Arfar of Aug. 5th).

It is understood that negotiations for a new trade agreement between Germany and Turkey will shortly begin.

Law 4078 of 2nd July 1941 ratified an exchange of notes between Turkey and Switzerland modifying the protocol annexed to the Commerce and Payments Agreement of 30th May 1941.

- (b) Position of liquidation of balances on either side.

No figures published

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. on 4th August 1941.

Country	Premium on Imports	Exportation premium		Percentage of transaction on which premium is payable 100%
		Spot	Forward	
Some free exchange premiums arising from Art. 5 of Decree 2/15843				
Belgium	48	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Compensation premia applied by the Central Bank

U.K.	48	40	39	100
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9. FOREIGN TRADE

- (a) Total import and export figures

The Turkish Government have ceased publishing import and export figures consequently the figures for the month of June are not available.

- (b) Important changes in direction

nil

- (c) General changes in tariff or in import restrictions recent or probable.

nil

- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Communications. - Rail and sea communications with Central Europe and the . . .
ans are still stopped. This causes anxiety to Turkish exporters who are
dering how and when this season's export crops (figs, sultanas, nuts, cotton,
live oil, etc) can be got away. One shipload of goods loaded in Ismir for
many have already been unloaded and stored in Istanbul. Vice versa so long
as Germany and occupied countries do not deliver imports, Turkish exports
cannot be sent in compensation.

The congestion at Basra due to recent hostilities, is being energetically
liquidated. Priority shipments for Turkey are being arranged at rate of
600 tons weekly for last three weeks. When trucks are available, the Iraq
authorities hope to despatch up to 7000 tons monthly (maximum) to Palestine,
Syria and Turkey.

On 21st July offloaded cargoes in Port Said (war material, railway
equipment, general merchandise and raw materials) amounted to 20,000 tons.
steps are being taken to get Turkish tonnage and if possible overseas ships
to carry these goods onwards to Turkey.

Supplies. - Supplies of mineral oils and petroleum from Roumania ceased on
June 21st and there is little prospect of further supplies from that source
in the near future. Lampoil, petrol, lubricating oil stocks are very low
in Istanbul.

A further supply of 2607 tons coffee (40,000 bags) reached Turkey this
month thus assuring sufficient stocks (coupled with other recent bulk arrivals
totalling 90,000 bags), for at least one year's consumption requirements.
There is an acute shortage of flour.

Buying Mission. - A Thailand mission arrived in Istanbul early this month
to buy opium. A number of separate German buying missions are busy in Turkey
securing options on new crops.

The export of beans of the 1940 crop (of which good stocks exist) is
now authorized as the new crop is coming along.

The Turkish Ministry of Commerce is studying how to develop commercial
exchanges with Russia. At present wool is shipped (in settlement of an old
industrial credit) and some shipments of valonea have been approved. The
response from Moscow, as regards supplies of petroleum products is slow.

Syria-Turkey Trade. - The question of developing trade between Syria and
Turkey has been examined. For the period 1939, 1940 and 1941 (5 months)
the balance of trade in favour of Turkey amounts to £T2,787,980. Before
Syria can obtain further supplies from Turkey on a clearing or private
compensation basis, Syria must export products to this value to Turkey.
Syria may of course buy Turkish products against free exchange subject to
the prior consent of the Turkish Ministry of Commerce. A number of Turkish
products, e.g. mohair, valonea, cotton, olive oil, have been earmarked for
sale only against foreign exchange.

1941 Crops. Forecast

Cereals. - Wheat, barley and rye crops are expected to be smaller this year leaving no surplus for export. Maize and beans are doing very well. These crops were sown later and benefited by late spring and early summer rains. No export surpluses likely.

Dried vegetables. Production likely to be as good as in 1940.

Linseed yield expected is 10,000 tons against 13,000 in 1940
Sesame " 13,000 " " 16,000 " "
Sunflowerseed " to be much smaller than in 1940
Figs " 35/40,000 tons edible plus 7/8000 hordas
Olives 30,000 i.e. better than 1940 (stocks 5000 tons)

Hazelnuts (Trabzon region Hopa-Gorele) 12,600 tons i.e. about 5% over normal double last year's crop.

Gum Tragacanth 350 tons against 250 in 1940.

Crops actually harvested (in tons)

	Mersin Region	Adana Region
Wheat	30,000	91,500
Barley	27,000	63,000
Oats	10,000	32,500
Rye	2,500	10,000

All 30% below average.

Tobacco. Less than in 1940 e.g. in Aegean, yield likely to be only 20,000 tons against 33,000 tons in 1940.

Sugar Crop forecast. The Sugar Monopoly directorate state that this year's beet crop should be very good, at least as large as last year. The figure quoted is 80-90,000 tons. 10,000 tons of cube sugar is on order and has been partly supplied to Turkey this year. There will be no export surplus.

Cotton. Forecasts are not too good, and the crop is expected to fall short of last year's results.

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MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY
APRIL 1941

1. GENERAL CREDIT POSITION

(a) No change.

Commercial Bills Discounted:

	Ltqs. '000s
25.4.41	273,200
25.3.41	270,000
25.4.40	244,300

Note Circulation

	25.4.1941	25.3.1941	25.5.1940
Old issue	138,500,000	138,600,000	139,900,000
Supplementary issue covered by gold	17,000,000	17,000,000	17,000,000
Supplementary issue covered by Commercial bills	250,000,000	250,000,000	171,000,000
Supplementary issue in virtue of Law No.3902 (advance to Treasury against gold)	82,000,000	47,500,000	-
Total	487,500,000	453,100,000	327,900,000

(b) A further important increase in note circulation is recorded.

Advances to the Treasury by Central Bank increased by Ltq.8,600,000 as compared with preceding month.

Treasury advances based on gold deposit (Law 3850) amounted to	LT. 130,685,000 on 25.4.41
As compared with	LT. 122,085,000 on 25.3.41
and	LT. 10,500,000 on 25.4.40

(c) No change.

2. STOCK EXCHANGE

	1929	1933	1934	1941
(a) General movement of				
(i) certain shares (index)	100			38½
Central Bank of Turkey			100	147
(ii) State loans	100			100
" "		100		102
(iii) External Debt		100		69
(b) Nil				

3. BUDGET

(a) Not yet published.

(b) Ordinary revenue for first seven months (1940/41) was up by Ltq.17,713,000; Customs receipts decreased by Ltq.11,340,000 and Transaction Tax by Ltq.2,795,000. New taxes compensated these losses.

Extraordinary Revenue increased by Ltq.64,427,000 on account of advances made under Law 3850 (see 1(b) above). For the period June/December, 1940, these advances were Ltq.109,585,000 as compared with NIL in 1939.

(c) No comment.

(d) No comment.

(e) No comment.

4. PRICE LEVELS

The steep rise in the cost of foodstuffs since the outbreak of war is well illustrated by the following indices taken from "Konjunktur" the official trade and statistical journal published by the Ministry of Commerce, Ankara, March 1941.

	Whole of Turkey	Istanbul	Ankara.
1933 = 100			
August 1939	118.4	116.8	111.1
March 1941	168.5	165.9	146.6
	= +42.3%	= +42%	= +32%

5. COMMERCIAL PAYMENTS

No change. Payments regular and mostly "cash".

6. EXCHANGE.

(a) Favourable diplomatic rate £1 = Ltq. 7.28.

(b) The market deficit in March 1940 amounted to £25,600 which was made up by the Central Bank of Turkey. The deficit for Jan/March 1941 amounted to £303,600 against £481,800 in Jan/March 1940. Free exchange in other countries at the disposal of the Central Bank Turkey, and also U.S.A. £ arising out of sale of shipments to U.S.A. are kept in a special account.

(c) forbidden.

7. EXCHANGE CONTROL.

(a) No change.

(b) No change.

(c) No change.

(d) Liquidation of arrears proceeds fairly rapidly for Germany, Italy, and Switzerland owing to increased trading operations.

8. CLEARINGS

Decree 2/15557 of 7/4/41, published 15/4/41 ratifies notes exchanged between Italy/Turkey regarding extension by one year (as from January 1st, 1941) of the Italo/Turkish Treaty of Commerce and Navigation concluded the 29th December 1936 which expired on January 1st, 1941 consequent upon the expiry of the Commercial and Payments Agreement of the 15th October 1938 and the protocols signed on the 24th February, 1940.

(b) Position on 12th April, 1941.

(i) Credits accumulated at Central Bank of Turkey Ltq. 11,540,000.
Of which:

Ltq. 5,563,000 for Germany
Ltq. 1,915,000 for Switzerland
Ltq. 538,000 for Italy.

(ii) Credits at National Banks abroad viz. Ltq. 1,308,000 of which
Ltq. 700,000 for Finland
Ltq. 458,000 for Switzerland etc.

(iii) Position of Compensation Trading Account as on April 12th, 1941.

	Export Balance	Import Balance
Countries under interchangeability regime	Ltq. 90,000	1,664,000
France	Ltq. 1,919,000	-
Sweden	Ltq. 5,000	-
Switzerland	Ltq. 711,000	-
Holland	Ltq. 4,874	-
Belgium	Ltq. -	Ltq. 8,810

(c) Compensation Premiums. No change.

9. FOREIGN TRADE.

(a) Total import and export figures.

	March 1941 Ltqs. '000s	March 1940 Ltqs. '000s	Difference Ltqs. '000s.
Imports	7,074,996	7,418,171	- 343,175
Exports	15,256,109	16,468,285	- 1,212,176
	+ 8,181,113	+ 7,050,114	- 1,555,351

(b) Germany was the leading supplier in March, 1941 with LT.1,166,000 (16.5%) followed by the U.K. with LT.997,000 (14.1%). The U.K. took 30% of Turkey's exports in March, followed by Germany with 17.4%.

(c) No change.

(d) Germany has been making heavier deliveries recently under the barter agreement (Ltq.21,000,000) of June, 1940. This automatically causes a flow of corresponding exports as per quotas of Turkish products indicated in the agreement.

Moreover, a new trading deal under the provisions of Decree 2/13055 of the 11th March, 1940 was initialled at the end of April, 1941, covering the export of Ltq.10,000,000 tobacco against machinery spares and metal goods for the general market. A further deal for Ltq.3,000,000 nuts and other products against chemicals, paper, etc., is being negotiated. German goods must reach Turkey before corresponding exports are allowed to leave Turkey (vide Decree 2/13055, paragraph 7). The Turkish authorities state that neither copper, cotton nor wool will be exported in exchange.

The political troubles in Iraq will no doubt delay the movement of supplies for Turkey (now arriving and discharged at Basra) by the overland route.

The recent protracted negotiations between Turkey and Hungary for a considerable exchange of goods (Ltq.20,000,000 is mentioned) have not yet been finalized. The Turkish Ministry of Foreign Affairs has assured the Commercial Counsellor, British Embassy (end of April) that no barter arrangements have been concluded and that the negotiations will come to nothing.

Exports of Turkish cotton are still being made against Roumanian supplies of fuel and mineral oils.

Owing to inability to supply from the United Kingdom the thirty-five motor buses ordered for the Istanbul Municipality it is understood the order will now be placed in the U.S.A.

Recent large purchases of Turkish products by the U.K.C.C. coupled with His Majesty's Government's purchases of tobacco, dried fruits and chrome under existing agreements have made the United Kingdom the leading customer of Turkey this quarter. Large deliveries of United Kingdom goods for the Turkish Government account have also greatly improved the position of the United Kingdom as a leading exporter to Turkey. The following figures illustrate this, viz:-

Exports

YEAR 1941

January to March 31st

	Tons	Ltqs.
Exports to United Kingdom	34,575	13,077,247 = 28.06%
Imports from United Kingdom	9,576	3,772,116 = 20%

YEAR 1940

January to March 31st

	Tons	Ltqs.
Exports to United Kingdom	29,928	5,546,320 = 14.32%
Imports from United Kingdom	4,103	1,946,585 = 10.84%

Coffee. Owing to recent heavy releases of coffee (40,000 bags) at Port Said by the Ministry of Economic Warfare, coupled with the grant of Navicerts for large quantities from Brazil (43,000 bags) the Turkish authorities have 80,000 bags in view. This constitutes a year's supply. Distribution in Turkey is closely controlled.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

JUNE 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No Change

Commercial Bills discounted

25th June 1941	Ltqs. 273,700,000
25th May 1941	" 276,800,000
25th June 1940	" 252,100,000

<u>Note Circulation</u>	<u>25.6.1941</u>	<u>25.5.1941</u>	<u>25.6.1940</u>
Old issue	137,000,000	137,500,000	139,900,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	17,000,000
Supplementary to old issue covered by Commercial Bills	250,000,000	250,000,000	195,000,000
Supplementary issue in virtue of Law 3902 (Advance to Treasury against gold)	118,000,000	101,000,000	-
	522,000,000	505,500,000	351,900,000

(b) Restriction or expansion of commercial credit.

Advances to Treasury by Central Bank increased by Ltqs. 28,813,000 over previous month.

Treasury advances based on gold deposits (Law 3850) amounted to Ltqs. 175,498,000 on 25th June 1941 as compared with Ltqs. 146,685,000 on 25th May 1941 and Ltqs. 8,500,000 on June 25th 1940. Thus of the limit of Ltqs. 250,000,000 fixed by Law 3850 of May 30th 1940, the Treasury has used a sum of Ltqs. 175,498,000 during the period 20th July 1940 and 25th July 1941.

(c) Changes in commercial banking interest rates.

No change.

2. STOCK EXCHANGE

(a) General movement of

(i) share

	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>June 1941</u>
Internal loan:				
Loan 1933		100		98
" 1934	100		100	103
" lottery 1938 (1)	100			98

(1) Has replaced 1918 loan

40530-1

1

	1929	1933	1934	June 1941
External loan:				
Principal industrial shares (trams (2), flour mills, cement, breweries etc.)	100			31
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			43
Central Bank of Turkey			100	180
Anatolian Railway Debentures)	100			128

(ii) Bond values

nil

(b) New capital issues (as a whole)

nil

3. BUDGET

(a) Estimates

See previous report.

(b) Current figures of revenue and expenditure

Revenue of State Railways June 1940-January 1941
(8 months of year 1940/41)

	1940-41 8 months	1939-40 8 months	Difference
	Ltqs.	Ltqs.	%
Passenger traffic	9,239,197	9,011,907	+ 2.5
Baggage	324,007	227,849	+ 42.2
Parcels	338,248	288,724	+ 17.1
Fast goods	1,792,476	1,397,462	+ 28.2
Slow goods	20,834,772	16,101,417	+ 29.3
Misc. Revenue	228,919	562,901	- 59.3
Revenue Haydarpasa	524,457	526,733	- 0.8
" Derindje	45,364	51,635	- 12.1
" transit Trabzon-Iran	51,530	29,694	+ 73.5
	33,378,970	28,198,322	+ 18.3

In 1939/40 revenue on transport of constructional material was included in slow goods traffic. In 1940/41 this revenue amounted to Ltqs. 4,533,932 and was shown nowhere. Taking this into account the global revenue figure in 1940/41 (8 months) = Ltqs. 37,912,902 which is equivalent to an increase of 34.4%.

(c) Supplementary expenditure

Nil

(2) In liquidation.

40530-1

2

(d) Issue of Government bonds and methods of financing deficits.

Law 4057 of June 3rd 1941 authorizes the issue of an internal loan of Ltqs. 35,000,000 at 7% interest (maximum) for the construction of the railway line extensions from Diyarbekir to Irak and Iran frontiers (Elazig-Iran). The issue in any one year is not to exceed Ltqs. 15,000,000. Law 4058 of June 3rd authorizes the Caisse d'Amortissement to issue Savings bonds to a maximum of Ltqs. 25,000,000. Law 4060 of June 3rd authorizes the issue of 5% Bonds as the equivalent of legal reserves to be held by Banks against deposits and reserves under the banking Law 2999 (Arts. 26, 31 and 45).

(e) Year's Accounts

Nil.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

No comments. See previous report.

5. COMMERCIAL PAYMENTS.

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b)) whether delays are due to transfer difficulties or to local business conditions.

Comments as in previous report.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable diplomatic rate £1 = 728 ptrs.

(b) Central Bank's reserve of foreign exchange.

Deficit of foreign exchange in May 1941 amounted to £27,000. This was made up by the Central Bank. The deficit in May 1940 was £197,000. Deficit January/May 1941 amounted to £411,300 as compared with £1,002,000 in January/May 1940.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

(a) Changes in regulations.

No change.

(b) Changes in administrative delays and difficulties.

By Decree 2/15843 provision is made for the liquidation by direction of a Special Committee of all compensation operations coming within the scope of article 3 of Decree 2/12669 of 15th January 1940 and of Decree 2/13655 which have not been liquidated by 15.6.1941.

(c) Delay in transfer.

(i) in general.

Delays are long in respect of settlement of goods from clearing countries, except for Roumania, Estonia, Finland, U.S.S.R, Lithuania, Norway and Sweden.

(ii) For particular trades, if they differ from normal.

Nil

(d) Liquidation of arrears, if any to United Kingdom and other countries.

Liquidations are fairly rapid for Germany, Italy, Hungary and Switzerland.

8. CLEARINGS.

(a) New agreements; cancellation or modification of existing agreements.

Decree 3/15843 of 26th May 1941 unifies all previous and existing decrees and modifications dealing with the import and export régime, and establishes a new system with regard to imports.

a) Imports are free (within the limits of Turkish legislation) for all countries which have signed a commercial and payments agreement.

b) Commercial exchanges with countries which have not signed such agreements have to be effected by private compensation (Takas or against free exchange).

c) Countries which establish special restrictions in trade with Turkey and countries which default on commercial agreements will become subject to special measures governing their trade with Turkey.

Private compensation for countries in category (a) will be effected by Central Bank, Turkey; and those in category (b) by Takas Sirketi.

(b) Position of liquidation of balances on either side

	<u>Debts</u>		<u>Credits</u>
Germany "A" a/c	10,627,500	"B" a/c	717,400
		"D" a/c	1,238,600
Belgium	654,600		
Czechoslovakia	368,500		
Estonia	12,400		
Holland	396,100		
Spain	281,400		
Sweden "D" a/c	1,932,600	"A" a/c	25,700
Switzerland	12,600		
Italy "A" a/c	349,900	"B" a/c	65,400

	Debts	Credits
Poland (private)	228,100	
Latvia	412,600	
Hungary	1,027,800	
U.S.S.R.	34,300	
Yugoslavia	41,200	
Greece	607,000	
Finland		699,100
Lithuania		41,800
Norway		109,100
Switzerland		685,800
Roumania - General a/c		306,400
Petrol "		21,700
Provisional a/c		96,300
Sundry	9,400	

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

By art. 6 of Decree 2/15843 a special Committee is set up at the Ministry of Commerce, Ankara, to fix trade compensation premiums etc.

Compensation premia applied by Takas Ltd. on 21.6.41.

Country	Premium on <u>Imports</u>	Exportation premium		Percentage of transaction on which premium is payable 100%
		<u>Spot</u>	<u>Forward</u>	
Countries on an interchangeable compensation basis				
Art. 4 Decree 2/7005	48	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Compensation premia applied by the Central Bank of Turkey

United Kingdom	48	40	39	100
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Export & Import Balances on 21.6.41.

Country	Exports		Forward Sales £T	Imports £T
	<u>Spot</u>	<u>Goods £T</u>		
Interchangeable	-	-	90,323.13	1,104,805.45
France	1,886,241.34	-	-	-
Sweden	1,892.84	-	-	-
Switzerland	-	-	46,077.91	102,404.64
Holland	4,938.91	-	-	-
Belgium	23,582.66	-	-	-
	<u>1,916,655.75</u>		<u>136,401.04</u>	<u>1,207,210.09</u>

9. FOREIGN TRADE

(a) Total import and export figures.

Imports and Exports for May 1941 compare with those of May 1940 as under:-

	May 1941 Ltqs.	May 1940 Ltqs.	Difference Ltqs.
Imports	5,751,024	9,104,049	- 3,353,025
Exports	9,371,266	12,140,187	- 2,768,921
Export Surplus	+ 3,620,242	+ 3,036,138	- 6,121,946

(b) Important changes in direction.

As shown below the United Kingdom was again Turkey's chief supplier in May 1941.

Imports into Turkey from	May 1941 £T. '000s	%	May 1940 £T. '000s.	%
U.K.	1,146	19.94	1,531	16.82
Roumania	1,034	17.98	1,363	14.97
Germany	842	14.64	492	5.41
Italy	321	5.58	1,536	16.87
Hungary	263	4.58	51	0.57
U.S.A.	205	3.56	1,456	15.99
Finland	244	4.25	5	0.06

Exports to	May 1941 £T. '000s	%	May 1940 £T. '000's	%
Germany	3,002	32.04	1,706	14.05
Switzerland	1,979	21.42	11	0.10
Roumania	1,566	16.71	613	5.05
Czechoslovakia	594	6.34	375	3.09
U.K.	430	4.59	1,421	11.70
U.S.A.	404	4.31	1,445	11.90
Finland	229	2.45	46	0.38

(c) General changes in tariff or in import restrictions recent or probable.

Nil.

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Crops. - It is still too soon to give accurate forecasts of crops from winter sowings. The abundance of rain during May and June should normally have ensured full crops of grain (wheat, rye, barley, oats, maize) but possibly less ground is under cultivation owing to heavy mobilisation. Further, the crops will presumably have to be gathered largely by women who may have less experienced hands. Consequently there will be a greater wastage than in normal years. It is true that the use of modern harvesting machinery of U.S.A. origin will again be extended this year, but a great deal of the machinery ordered in U.S.A. this year is still on the way and hardly likely to arrive in time to be useful.

The Istanbul Grain Exchange gave the following estimates (very approximate) on the 27th June:

(In thousands of tons)	Year 1940	Year 1939	Year 1938
Wheat	4,105	4,204	4,279
Rye	483	409	407
Barley	2,255	2,295	2,387
Oats	327	284	275
Maize	785	636	599
Linseed	18	12	9
Potatoes	practically nil		
Sugar Beet	565	628	275

Spring sowings in Thrace have been put down under favourable conditions. Areas sown to oil seeds are said to be larger.

Estimated 1941 crops	In Aegean Zone	(Vide report from Consul-General, Izmir, June 19th)
	Tons	Normal crop is about (tons)
Sultanas	35/40,000	60,000
Tobacco	25/30,000	35,000
Valonea	60,000	50,000
Vetches	2/3,000	4/5,000
Figs	30,000	35/40,000
Cotton	12/16,000	
Cotton seed	10/12,000	
Beans	10,000	15,000

Requisition of Cereals - Decree 2/15955 of 9th June authorizes the Office des Produits du Sol to requisition at controlled prices fixed by Decree 2/15888, all wheat, rye, barley, oats, maize, etc., held by growers and intermediaries and to distribute, sell and export as may be judged best in the public interest.

Communications - Import trade is languishing owing to mining of Black Sea. No vessels of any size are moving between Roumanian, Bulgarian, Russian ports and Turkey in view of hostilities. There is a congestion of Roumanian, Russian and other shipping in Istanbul. Rail communication with Yugoslavia is still broken - but mails and passengers are carried over the broken frontier link by lorries. Restoration of bridges and rail goods traffic is expected sometime in August. Passenger traffic by car from Athens to Istanbul via Sofia takes eight days.

Transshipment traffic from Egypt to Turkey and vice versa is developing - particularly at Iskenderun and Mersin. There is some talk of sending a ship direct to U.S.A. Vessels under British flag now only use the ports of Mersin and Iskenderun.

Mineral Oils and Petroleum - Breakage of communications with Roumania has stopped deliveries of mineral and fuel oils to Turkey under barter agreements. Turkey's minimum requirements are two tankers monthly of 6/7,000 tons each. These may now have to be supplied from British controlled or U.S.A. sources.

Coffee - Supplies for six months are in the country and being distributed under monopoly control arrangements.

Tea - Five thousand cases blocked at Bagdad and 2,000 at Basra since some months are shortly expected in Turkey.

Sugar - To preserve stocks, the consumption tax on glucose and sugar (locally made or imported) was doubled as from 1st June, 1941.

Turco-Hungarian Commercial Agreement - A commercial trading and barter agreement which was signed in Budapest on 3rd May 1941, passed by Council of Ministers, Ankara, 26th May, came into force on 1st June, 1941. Principal items of interest are:-

Hungary will deliver to Turkey:

20,000 cubic metres mine props
6,000 tons paper
1,750 tons cotton yarns and textiles
6,000 tons firebricks
15,600 tons iron and steel in manufactured form
1,000 tons copper manufactures
1,000 tons machine spares
1,000 mine tubs
6,000 tons acids
ET. 1,000,000 chemical and pharmaceutical products.

Turkey will deliver to Hungary:

27,000 tons pig iron and steel ingots
1,500 tons copper
2,000 tons copper
1,500 tons mohair
1,000,000 skins
3,500 tons valonea
750 tons valonea extract
4,800 tons oil seeds
300 tons olive oil
300 tons sulphur oil

From the above figures it is clear that Turkey will receive back in manufactured form the various raw and semi manufactured materials which she is ceding to Hungary.

Turco-German Trading - The Turkish Government have agreements with Germany covering the following amounts:-

- 1) July 25th, 1940: Ltqs. 21,000,000 (plus Ltqs. 6,000,000 from Clearing Account A; plus approximately 20% to cover cost and insurance freights); altogether Ltqs. 32,000,000 approximately.
- 2) Ltqs. 7,233,660 and Ltqs. 1,508,500 under Agreement of 17th December, 1940.
- 3) Ltqs. 6,000,000 under the same agreement.
- 4) Ltqs. 10,000,000 for the purchase of tobacco, concluded in April, 1941.
- 5) Ltqs. 3,200,000 for hospital equipment, medical supplies, etc., etc., concluded early this year.

The above total of about Ltqs. 60,022,160 represents about 50% of total value of Turkish exports in a normal year. Difficulties of delivery have hindered completion of above deals. Ministry of Foreign Affairs, Ankara, stated recently that not more than Ltqs. 5,000,000 worth of goods had been delivered from Germany under the Agreement of July last. Germany's total shipments to Turkey in 1940 only amounted to Ltqs. 8,083,286, i.e., 11.73% of total imports, and for the period January/May 1941 Germany's exports to Turkey were Ltqs. 4,835,947 (14.72% of whole).

Under Law 4833 of 13.6.41. however, Germans now have authority to buy Ltqs. 7,000,000 of Turkish goods without making a corresponding export whereas the agreement of July last only allowed a maximum margin of Ltqs. 1,500,000.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

M A Y 1 9 4 1

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No change

Commercial Bills discounted

May 25 1941	£T276,800,000
April 25 1941	273,200,000
May 25 1940	243,200,000

Note Circulation	26.5.1941	25.4.1941	25.5.1940
Old issue	137,500,000	138,500,000	139,900,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	17,000,000
Supplementary to old issue covered by Commercial bills	250,000,000	250,000,000	171,000,000
Supplementary issue in virtue of Law 3902 (advance to Treasury against gold).	101,000,000	82,000,000	--
	505,500,000	487,500,000	327,900,000

(b) Restriction or expansion of commercial credit

Advances to the Treasury increased by £T16,000,000 over previous month. Treasury advances based on gold deposits (Law 3850) amounted to £T146,685,000 on 25th May 1941 as compared with £T130,685,000 on 25th April 1941 and £T10,500,000 on 25th May 1940.

(c) Changes in commercial banking interests rates.

No change

2. STOCK EXCHANGE

(a) General movement of
(i) share

	1929	1933	1934	1941
Internal loan:				
Loan 1933		100		98
" 1934			100	100
" (lottery 1938(I))	100			100
External loan:		100		68
Principal industrial shares (tram, flourmills, cement, breweries, etc.)	100			39
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			40
Central Bank of Turkey			100	148
Anatolian Railway Debentures	100			117

(I) has replaced 1918 loan

30201-1

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(ii) bond values

nil

(b) New capital issues
(as a whole)

nil

3. BUDGET

(a) Estimates

The budget estimates for 1941-42 have now been voted. Comparative figures are as under:

	1941-42	1940-41	Difference
	£T	£T	£T
a) Ordinary Budget:			
Revenue	309,743,001	268,481,000	+ 41,262,000
Expenditure	309,740,396	268,476,321	+ 41,264,075
b) Extraordinary Budget:			
Extraordinary credits	83,000,000	109,922,000	- 26,922,000

with (a) and (b) combined the 1941-42 Budget shows an increase of £T14,342,075 over that of 1940-41 and of £T72,759,204 over that of 1939-40.

(b) Current figures of
revenue & expenditure

Ordinary revenue for first eight months of financial year (June 1940-Jan. 1941) compared with previous year as follows:-

	1940-41	1939-40	Difference
	£T	£T	£T
Ordinary revenue	198.780.000	176.490.000	+ 22.290.000
Extraordinary "	151.371.000	98.600.000	+ 52.771.000
Miscellaneous "	6.128.000	6.536.000	- 408.000
Treasury Refunds	7.148.000	9.480.000	- 2.332.000
	363.427.000	291.106.000	+ 72.321.000

Ordinary receipts rose by £T22,290,000 over 1939-40 period, due to yield from new taxes. Monthly average increase over 1939-40 amounts to £T2,500,000. Extraordinary expenditure increased by £T52,771,000, due to advances made to the Treasury by the Central Bank of Turkey against gold cover (Law 3850).

(c) Supplementary expenditure

Supplementary Budget Expenditure

Law 4027 of 13.5.41 granted the following supplementary credits:

a) Ordinary Budget 1940-41	£T
Ministry of National Defence (land forces)	5,500,000
b) Extraordinary Credits 1940-41	
Ministry of National Defence (land forces)	8,000,000
c) Ordinary Budget 1940-41	
Ministry of Finance:	
i) "Office des Produits du Sol"	5,000,000
ii) Public Debt	
New account security for bonds and drafts issued for the railways	10,000,000

This law also authorized a reduction of £T3,570,000 from the Public Debt account 1940-41 in respect of the amortisation and service of the £25,000,000 loan (£T5,764,614 previously sanctioned for this purpose). The money saved was re-allocated as follows:

Ministry of Finance	£T30,000
Ministry of Justice	40,000
Ministry of Nat. Army Defence	3,500,000
	<u>3,570,000</u>

- (d) Issue of Government bonds and method of financing deficits.

At the end of May the Government decided to make compulsory the exchange of legal reserves (securities, etc.) held by Banks and companies against 5% Treasury bonds. Further details will be notified in next report.

Law 4031 of 14th May 1941 authorized the Ministry of Finance to guarantee the £T3,00,000. Loan contracted by vilayet of Izmir with Central Bank of Turkey.

- (e) Year's Accounts

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products agricultural products, industrial products.

No figures since March 1941 (see previous report). In May 1941 prices of cereals and oilseeds, dried vegetables showed a steep increase.

Amongst new taxes affecting the cost of living as from June 1st 1941 the following are mentioned:

Coffee	25 ptrs per kilo
Tea	40 " " "
Cigarettes costing	plus 1 ptrs
11 ptrs a box	
Liqueurs, raki,	
cognac	4 to 8 ptrs per bottle
Champagne, whisky	75 ptrs per bottle
Wine	2 ptrs per litre
Matches	20 paras per box
Sugar	7 ptrs per kilo

Ministry of Commerce announced (May 25th) that the cost of foodstuffs had risen by 40% at least since the beginning of the war. It varies between 30-50% according to the district and city concerned.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7(b)) whether delays are due to transfer difficulties or to local business conditions.

No change. Payments regular and most for cash.

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable diplomatic rate £1 = 728 ptrs.

(b) Central Bank's reserve of foreign exchange.

The market deficit in April 1941 amounted to £80,600 made up by the Central Bank as compared with £324,000 in April 1940.

Deficit Jan.-April 1940 = £806,000

" " " 1941 = £384,300

Free exchange in other countries at the disposal of the Central Bank of Turkey is kept in a special account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

(a) Changes in regulations.

No comments.

(b) Changes in administrative delays and difficulties.

No change.

(c) Delay in transfer
(i) in general

Rather long delays are still the rule in respect of payments for goods from "clearing" countries except for Roumania, Estonia, Finland, U.S.S.R., Lithuania, Norway and Sweden. Payments for deliveries from U.K. are now much prompter under the new Financial Agreement of December 2nd 1940.

(d) Liquidation of arrears, if any to U.K. and other countries

Liquidation of arrears is fairly rapid in respect of Germany, Italy and Switzerland.

8. CLEARINGS

(a) New agreements; cancellation or modification of existing Agreements.

Nil

(b) Position of liquidation of balances on either side on 17th May 1941

	<u>DEBTS</u>	<u>CREDITS</u>
Germany "A" A/c	6,732,600	"B" A/c 1,195,900
		"D" A/c 952,800
Belgium	654,600	
Czechoslovakia	366,600	
Estonia	12,400	
Holland	396,100	
Spain	281,400	
Sweden "D" A/c	1,924,000	"A" A/c 41,100
Switzerland	28,800	
Italy "A" A/c	366,100	"B" A/c 73,200
Poland (private)	225,500	
Latvia	412,600	
Hungary	1,296,750	
U.S.S.R.	46,600	
Yugoslavia	41,100	
Greece "A" A/c	586,800	
"B" A/c	32,200	

30201-1

4

Finland	670,700
Lithuania	41,800
Norway	108,700
Switzerland	585,200
Roumania - General A/c	292,500
- Provisional A/c	96,300
- Petrol A/c	21,700
- Sundry	45,900

ET 13,448,050 ET 4,079,900

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. on 26th May 1941

Country	Premium on Imports	Exportation premium Spot	Forward	Percentage of transaction on which premium is payable 100%
Countries on an interchangeable compensation basis				
Art4. Decree 2/7005	48	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Compensation premia applied by the Central Bank of Turkey.

United Kingdom	48	40	39	100
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Export & Import Balances on 22.2.41

Country	Exports Spot Goods ET	Forward Sales ET	Imports ET
Interchangeable	-	90,323,13	1,132,244,18
France	1,864,120,19	-	-
Sweden	8,497,80	2,104,48	-
Switzerland	197,885,18	278,031,12	-
Holland	4,938,91	-	-
Belgium	23,582,66	-	-
	2,099,024,74	370,458,73	1,132,244,18

9. FOREIGN TRADE

- (a) Total import and export figures.

	April 1941 ET	April 1940 ET	Difference ET
Imports	8,314,173	6,741,258	+ 1,572,915
Exports	17,943,846	10,037,421	+ 7,906,425
Export surplus: +	9,629,673	+ 3,295,163	-

- (b) Important changes in direction.

As shown below U.K. was Turkey's best customer and supplier in April 1941.

EXPORTS

	April 1941 £T'000s	Percent- age	April 1940 £T'000s	Percent- age
U.K.	16,197	25.09	6,898	14.16
Germany	11,708	21.24	2,982	6.12
U.S.A.	9,215	14.28	41,879	10.69
Switzerland	6,508	10.08	585	1.20
Roumania	4,388	6.80	4,002	8.21
Italy	776	1.20	14,199	29.13
France	227	0.35	5,581	11.45

IMPORTS

U.K.	5,946	21.94	3,021	12.28
Roumania	4,878	18.00	2,344	9.49
Germany	3,994	14.74	5,039	20.40
U.S.A.	1,431	5.28	2,989	12.10
Hungary	1,356	5.00	360	1.46
Italy	1,056	3.90	4,307	17.43

- (c) General changes in tariff or in import restrictions recent or probable.

nil

- (d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

1. Crops. - Particulars of crop estimates are not yet available.

2. Communications. - The difficulty of communication by British controlled and allied and neutral ships with Turkey has slowed up the volume of imports, which now have to enter Turkey through Mersin and Alexandretta or run the gauntlet through the Aegean to Izmir and Istanbul. The troubles in Iraq have also caused congestion at Basra of goods for Turkey. Hence, despite regular weekly arrivals of cargoes from Roumania and Bulgaria and Russia by sea in ships flying the Turkish, Roumanian, Bulgarian, Russian, German and other flags, and from Central Europe by rail to Istanbul, Turkey is still very short of many essential raw materials, commodities and manufactured goods, i.e. steel, rubber, hides, colonial goods, machinery, railway, spares and industrial equipment. Hungary and Germany are keenly interested and active in the purchase of Turkish products. On the other hand the difficulty of arranging for shipping facilities to get away the products already bought by the U.K.C.C. coupled with the reluctance of the Ministry of Commerce to issue export licences and has caused a lull in the pre-emptive buying programme of the U.K.C.C. That organisation has stocks of Turkish products awaiting shipment valued at over £6,000,000, viz:

17,533 tons oilcake	£T'000s ap.	880
500 " flax & hemp	"	370
900 " mohair	"	1620
5150 " olive oil	"	3193
500 " dried fruits	"	150

3. Petroleum Products. - Purchases in Roumania of petroleum products made by the Turkish Petrol Office in May 1941 amounted to 67,250 tons value £ 2,170,517 (approx.)

4. Imports from U.S.A. - Credits up to \$200,000 were opened in May by the Turkish authorities for heavy oils, motor vehicles spares, etc. of U.S.A. origin. All facilities for transshipment via Suez are being granted. A few Turkish vessels are now lifting Turkish supplies from Egypt, and taking return cargoes from Turkey.

5. Imports from U.K. - The delivery of a number of ferry boats from U.K. to Turkey in the near future is announced. A few British ships brought goods to Turkey in May including tyres, hessians, chemicals and dyes (value £100,000) and general merchandise. This has caused great satisfaction. Efforts to improve the handling of cargoes at Mersin and Alexandretta are being made by the Turkish authorities. Better cranes, storage, labour and railway facilities are required to handle the increasing traffic through this bottleneck.

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Distribution in Turkey of British deliveries of petroleum products is now also being made from these two ports.

6. Stocks in hand. Coffee and Sugar.- The Minister of Commerce announced at the end of May that Turkey now had actually in the country supplies of coffee for six months and that further supplies were on the way. M.E.W. have chartered over 7000 tons between Jan. 1st-May 30th 1941 which is more than a normal year's supply (5000 tons). A cargo of 5000 tons sugar was brought from Egypt to Istanbul in a Turkish ship in May.
7. Export Tax.- The export tax was raised by 3% at the end of May but it is not expected that this will hamper the export trade to any great extent.

MONTHLY REPORT ON ECONOMIC CONDITIONS IN TURKEY

FEBRUARY 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No change

Commercial bills discounted

Feb. 25 1941	£T260.000.000
Jan. 25 1941	259.700.000
Feb. 25 1940	227.000.000

<u>Note Circulation</u>	<u>25.2.41</u>	<u>25.1.41</u>	<u>25.2.40</u>
Old issue	138.600.000	138.600.000	140.540.000
Supplementary to old issue and covered by gold	17.000.000	17.000.000	17.000.000
Supplementary to old issue covered by Commercial bills	250.000.000	249.000.000	144.500.000
Supplementary issue in virtue of Law 3902 (Advance to Treasury against gold).	20.000.000	14.000.000	- -
	<u>425.600.000</u>	<u>418.600.000</u>	<u>302.040.000</u>

(b) Restriction or expansion of commercial credit.

A further increase in the paper money in circulation is recorded see (a) above. As on 25th February 1941 an amount of £T114,585,000 was recorded as advanced to the Treasury by the Central Bank compared with (a) the same amount on Jan. 25th 1941 and (b) £T3,204,000 on 25th February 1940.

(c) Changes in commercial banking interest rates

No change

2. STOCK EXCHANGE

(a) General movement of (i) share

	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1941</u>
Internal loan:				
Loan 1933		100		102
" 1934			100	101
" (lottery) 1938 (1)	100			100
External loan		100		70
Principal industrial shares (tram, flour mills, cement, breweries, etc.)	100			34
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			43
Central Bank of Turkey			100	156
Anatolian Railway Debentures	100			120

(ii) bond values

(1) has replaced 1918 loan

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- (b) New Capital issues
(as a whole)

Nil

3. BUDGET

- (a) Estimates

Estimates for the new fiscal year will shortly be published.

- (b) Current figures of revenue and expenditure

No figures yet published for 1st five months of fiscal year 1940-41 (June-Oct.) but it is reported that they show an increase of £10,400,000 over those for the corresponding period 1939-40 i.e. £131,500,000 as compared with £121,000,000. Revenue from Customs Duties has fallen by £11,500,000 - this loss has been somewhat compensated by other receipts e.g. from new taxes.

- (c) Supplementary expenditure

Nil

- (d) Issue of Government bonds and method of financing deficits.

Nil

- (e) Year's Accounts

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

- 1) Cost of foodstuffs index in December 1940 established by the Ankara Ministry of Commerce in respect of Istanbul was 156.2 as compared with 120.2 in September 1939 (an increase of 30%). The average for December 1940 for the whole country was 156.1 as against 118.3 in September 1939.
- 2) Official price for bread (2nd quality) Istanbul March 10th was 12½ ptrs. per kg.
- 3) Leather footwear is being sold at 30-35 Turkish lira per pair. This price has been criticised and anything over 20 liras is declared excessive by the official controller.
- 4) H. M. Consulate General Izmir reports that the rise in cost of foodstuffs (second quality articles) as between early 1940 and early 1941 is about 35% and on clothing 50-60% in Izmir district.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

No change. (remarks for previous month apply)

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate for diplomatic missions 728 ptrs = £1

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2

(b) Central Bank's reserve of foreign exchange.

The market deficit in January 1941 amounted to £131.500 (£255.500 in Jan. 1940) and was met by the Central Bank Free exchange at the disposal of the Central Bank of Turkey in U.K., France, Switzerland, Sweden, Greece, Eire, Belgium, Japan arising out of clearing and compensation agreements, as also U.S.A. £ arising out of shipments to U.S.A. are kept in a special Account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange

Forbidden

7. EXCHANGE CONTROL

(a) Changes in regulations

No change

(b) Changes in administrative delays and difficulties

No change

(c) Delay in transfer
(i) in general

Delays are protracted in respect of settlements for goods from "clearing" countries with the exception of Roumania, Estonia, Yugoslavia, Greece, Finland, U.S.S.R., Hungary, Lithuania, Norway and Sweden.

(ii) For particular trades if they differ from normal

nil

(d) Liquidation of arrears, if any to U.K. and other countries

This goes on slowly.

In respect of U.K., however, under the terms of the recent Anglo-Turkish Financial agreement provision has been made for prompt settlement of outstanding compensation deals. A Central Bank Committee will handle claims instead of Takas Ltd.

8. CLEARINGS

(a) New Agreements; cancellation or modification of existing Agreements.

By an announcement published in the Turkish Official Gazette, Italy was added to the list of countries whose commercial exchanges with Turkey are governed by Art.2 of Decree 2/12669 with effect from 20.1.41.

(b) Position of liquidation of balances on either side, on 22nd Feb. 1941.

	DEBITS		CREDITS	
Germany "A" A/c	12,700,800	"B" A/c	1,858,400	
		"D" A/c	735,100	
Belgium	667,900			
Czechoslovakia	357,400			
Estonia	13,500			
Holland	402,700			
Spain	281,000			
Sweden "D" A/c	2,029,000	"A" A/c	67,100	
Italy "A" A/c	657,400	"B" A/c	127,200	
Poland	235,000			
Latvia	413,100			
Hungary	11,100			
U.S.S.R.	75,900			
Greece "A" A/c	353,600			
"B" A/c	38,300			
Finland			869,000	
Switzerland	24,400		264,100	
Lithuania			41,800	
Norway			73,100	
Roumania - Petrol A/c			179,600	
- General A/c			563,100	
- Provisional A/c			96,300	
	£T 18,261,100		4,874,800	

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd.
on 3rd March 1941

Country	Premium on Imports	Exportation premium		Percentage of transaction on which premium is payable 100%
		Spot	Forward	
Countries on an interchangeable compensation basis Art. 4 Decree 2/7005	51	40	39	100
United Kingdom	48	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Export & Import Balances on 22.2.41

Country	Exports	forward sales	Imports
	Spot Goods £T	£T	£T
Interchangeable	-	92,733,01	1,380,545,51
United Kingdom	-	83,842,98	450,707,03
France	1,847,458,27	91,340,70	-
Sweden	155,170,14	88,740,28	-
Switzerland	870,131,77	301,831,75	-
Holland	4,873,99	-	-
Belgium	-	-	10,604,18
	2,877,634,67	658,488,72	1,841,856,72

9. FOREIGN TRADE

(a) Total import and export figures

Figures in respect of January 1941 have not yet been published. A favourable trade balance of £T42,523,778 was achieved for the year ending 31.12.40 as compared with an adverse balance of £T9,140,063 in 1939. On a value basis the aggregate trade turnover diminished by -26.6% including -12.5% for exports and -41.7% for imports.

	Imports		Exports	
	Tons	£T	Tons	£T
1939	605,556	118.249	927,696	127.389
1940	342,005	68.928	611,203	111.447
	-263,551	-49.321	-316,493	-15.942

(b) Important changes in direction.

Turkish Imports by principal supply countries 12 months ending 31st Dec. 1940

	1940		1939	
	£T'000s	Percentage	£T'000s	Percentage
Italy	11.224	16.29	10.023	8.48
Roumania	10.806	15.68	2.344	1.98
United Kingdom	9.665	14.02	7.388	6.25
Germany	8.083	11.73	60.142	50.86
U.S.A.	7.447	10.80	11.686	9.89
Czechoslovakia	2.586	3.67	1.789	1.51

Turkish Exports to principal customer countries 12 months ending 31st Dec. 1940.

	1940		1939	
	£T'000s	Percentage	£T'000s	Percentage
Italy	17.951	16.11	12.754	10.81
U.S.A.	15.739	14.12	18.212	14.30
Roumania	11.987	10.76	1.789	1.40
U.K.	11.551	10.36	7.302	5.73
Germany	9.687	8.69	47.504	37.29
France	6.613	5.93	5.631	4.42
Hungary	6.475	5.81	1.537	1.22
Switzerland	5.059	4.54	1.922	1.51
Czechoslovakia	4.645	4.17	6.065	4.76
Greece	4.406	3.95	1.607	1.26

(c) General changes in tariff or in import restrictions recent or probable.

nil

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

By Decree 2/15103 of 30.1.41 the Ministry of Economy is authorized to distribute and sell cotton yarns produced by the Sumer Bank factories as well as cotton yarns imported by the same Ministry. The Ministry of Commerce is granted a credit of £T1,000,000 for this purpose and delegates the work in question to the Sumer Bank.

By Decree 2/15138 of 5.2.41 the Match Factory at Büyükdere was authorized to work an additional three hours daily.

By Decree 2/15167 of 14.2.41 a supplementary three hours daily may be worked by the personnel of the waterworks, electricity, tramway and tunnel services.

By Decree 2/15166 of 14.2.41 requisition of labour, skilled and unskilled for road, bridge and other constructional work at specially paid rates is authorized.

By Decree 2/15168 of 14.2.41 a Supplies Secretariat is set up at the Ministry of Commerce to take supreme control of essential supplies. Sub-committees for (a) petroleum products and (b) cereals and flour were also set up, and a co-ordinating committee, consisting of members of the various Ministries was set up to speed up all questions of supply. This Secretariat will control prices and distribution of essential foodstuffs and all commercial goods and raw materials and will allow special margins of profit.

By Decree 2/15169 of 14.2.41 a Petroleum Office in Istanbul, with a capital of £T5,000,000, is set up to take over the functions of Petrole Sirketi Ltd. It will operate under the control of the Ministry of Commerce to facilitate supply and distribution of petroleum products.

By Decree No. 2/15170 of the 14.2.41 an Import and Export Office is set up with a capital of £T5,000,000 to handle Government business. Exports hitherto handled by the Agricultural Bank for Government account will in future be handled by this organisation. This organisation will buy and sell all articles and raw materials in bulk for civil requirements and for the National Defence Ministry. It will create stocks and its head office will be Istanbul. It will be closely controlled by the Ministry of Commerce.

By Decree 2/15114 of 30.1.41 stocks of flour and cereals in certain centres are to be created for use in cases of emergency. Stocks of wheat, barley, rye and oats are to be purchased from the peasants at controlled prices through the Office des Produits du Sol. The harvest this year was abundant but hoarding, coupled with a shortage of manpower (despite increased use of agricultural machinery) for 1941 harvest operations has caused the Government to take these measures in the interests of national security.

By Decree 2/15164 of 12.2.41 measures are taken to force peasants and millers to declare their holdings of cereals within 5 days as from 12.2.41. Decree 2/15172 of 14.2.41 extends these measures to rye.

By Decree 2/15224 of 18.2.41 bread is standardized limits to production of whitebread are set, and the amount of rye to be used per kilo of bread is set out. Controlled prices per kilo are 14 ptns for white, and 12½ ptns for 2nd quality.

Decree 2/15226 of 18.2.41 sanctions male labour from age of 16 in the mines and male and female labour from age of 12 in the textile factories, to speed up production and replace mobilised labour.

Decree 2/15228 of 18.2.41 sanctions the requisition of the Yeni Rayat mill by the Office des Produits du Sol for working on Government account. An amount of £T35,000 is voted to the Banque Agricole for this purpose.

Coal Production:

Comparative output statistics in respect of the Zonguldak coal basin.

Tons.	
1938	2588957
1939	2696397
1940	3019458 = + 323061 = 12%

Semi Coke & Briquettes

Semi coke	1939	tons	78,264	
Briquettes	1940	"	83,245	= + 4981

Exports abroad in 1940 totalled 32561 tons
including: 13188 " for Roumania
6160 " for Greece

19348 total freights

plus 13213 tons for total bunkers.

Material & Equipment for P.T.T. Services

Three lists of apparatus, spares, new material, etc. for P.T.T. services, to a value of £22,000,000 have been submitted by the Turkish Ministry of Communications for investigation as to possibilities of supply by U.K. firms. Payment is to be under the £10,000,000 commercial credit scheme (1938).

Turkeys Requirements in Rubber

1941 requirements have been estimated at:

Smoked sheets	325 tons	} in connection with which orders have been passed for 105 tons sheets 50 " crepe
Crepe	225 "	
Crepe soles	25 "	

A further 200 tons rubber is required by the Gislaved tyre factory for Government purposes. Hence a grand total of 775 tons.

Tinplates

It is understood that a credit of £60,000 has been opened for the purchase of tinplates of British origin.

Trade with Germany

The export of Turkish products to Germany under the Turco-German Agreement of 1940 (July 25th) has again developed. Considerable quantities of German goods have arrived and more are shortly expected, in exchange. The Turkish goods are held until the German goods reach Turkey.

Coffee & Cocoa

Stocks of cocoa and coffee are temporarily exhausted. It is not possible to buy coffee in Istanbul or Ankara at present. Certain quantities are said to be in Customs depots and on order. Tea is available at approx. £12 per kilo.

Textiles

It is reported that at last Japanese textiles (chiefly cotton but including some silk and woollens) are being released from Customs Depots to a value of £1,000,000. These goods will be sold by the Official Co-operatives (Yerli Mallar Pazari) to relieve the acute shortage of textiles in the market.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

MARCH 1941



1. GENERAL CREDIT POSITION

(a) no change

Commercial Bills Discounted:

	<u>Ltgs. '000s</u>
25.3.41.	270,400
25.2.41.	260,000
25.2.40.	236,000

Note Circulation

	<u>25.3.1941</u>	<u>25.2.1941</u>	<u>25.3.1940</u>
Old issue	138.600.000	138.600.000	140.540.000
Supplementary issue covered by gold	17.000.000	17.000.000	17.000.000
Supplementary issue covered by Commercial bills	250.000.000	250.000.000	153.500.000
Supplementary issue in virtue of Law No. 3902 (advance to Treasury against gold)	<u>47.500.000</u>	<u>20.000.000</u>	<u>-</u>
Total	<u>453.100.000</u>	<u>425.600.000</u>	<u>311.040.000</u>

(b) A further important increase in note circulation is recorded.

Advances to the Treasury by Central Bank increased by LT.7,500,000 as compared with preceding month.

Treasury advances based on gold deposit (Law 3850) amounted to
As compared with and

LT.122,085,000 on 25.3.41.
LT.114,585,000 on 25.2.41.
LT. 5,840,000 on 25.3.40.

(c) no change

2. STOCK EXCHANGE

	<u>1929</u>	<u>1934</u>	<u>1941</u>
(a) General movement of			
(i) certain shares (index)	100	-	75
Central Bank of Turkey	-	100	157
(ii) State loans	100	-	101
(b) nil			

3. BUDGET

(a) Not yet published

(b) Ord. Rev. was up by LT.14,644,000 this year.

New taxes compensated for loss of Customs Revenue (-LT.10,287,000) and of Transaction Tax (-LT.2,717,000)

Monthly general revenue in 1940/41 is steadily maintained at LT.2,500,000 over the receipts in 1939/40.

Extraordinary revenue increased by LT.56,849,000 on account of advances made under Law 3850 referred to in I (b) above.

These advances were LT.97,585,000 for the period June/November 1940 as compared with NIL in 1939.

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(c) A supplementary credit of £T.30,000,000 was added to the Land Forces Account (Law 3985 of 21.3.41.) under the heading "Misc. National Defence Services", of the list annexed to Law 3849 (Extra Credits for 1940/41). Inclusive of this new credit, the total amount of credits voted up to end of March 1941 was £T.516,561,000. The Ministry of National Defence allocation was £T.292,284,000, thus absorbing 56.60% of total credits.

(d) no comment

(e) no comment

4. PRICE LEVELS

No general indices published since last report.

5. COMMERCIAL PAYMENTS

No change. Payments regular and mostly "cash".

6. EXCHANGE

(a) Favourable Diplomatic Rate £1 = 7.28 ptrs.

(b) The market deficit in February 1941 amounted to £146,500. This was made up by the Central Bank of Turkey. The deficit for Jan./Feb. incl. 1941 amounted to £278,000 as compared with £340,000 in Jan./Feb. 1940. Free exchange in other countries at the disposal of the Central Bank of Turkey, and also U.S.A. \$ arising out of shipments to U.S.A. are kept in a special account.

(c) Forbidden.

7. EXCHANGE CONTROL

(a) No change

(b) No change

(c) No change

(d) See previous report

8. CLEARINGS

(a) Syria has now been added to the list of countries whose commercial exchanges with Turkey are governed by Art. 2 of Decree 2/12669 with effect from March 7th 1941 (Gazette 4752 of 3.3.41.)

(b) Position as on 15.3.41.

Credits accumulated at Central Bank Turkey £T.11,246,000.

of which £T.5,910,000 for Germany

" " £T.1,952,600 for Sweden

" " £T. 538,000 for Italy.

Credits at National Banks abroad viz. £T.1,865,000

Roumania £T.224,000

Finland £T.962,000

Switzerland £T.426,600

Position of Compensation Trading account as on February 8th 1941

	<u>Export Balance</u>	<u>Import Balance</u>
Countries under the inter-changeability regime	£T. 90,323	£T.1,544,305
France	1,930,522	-
Sweden	123,449	-
Switzerland	971,431	-
Holland	4,874	-
Belgium	-	8,810

(c) See previous report

9. FOREIGN TRADE

(a) Total import and export figures

	Feb. 1941	Feb. 1940	Difference
	£T. '000s	£T. '000s	£T. '000s
Imports	7,194	5,534	+ 1,160
Exports	17,412	11,431	+ 5,981
	+10,218	+ 5,897	+ 4,321

(b) Important changes in Direction. No change.

(c) No change.

(d) 1. The Turkish authorities are attempting to accumulate stocks in Turkey of essential raw materials and other articles of necessity, particularly for national defence requirements, e.g., chemicals and drugs, tin, rubber, flour, sugar, petroleum, hides. Imports of essential supplies are being controlled and distributed by the authorities, e.g., tinplate, rubber, motor car tyres, vehicles, drugs and chemicals.

2. Supplies of spare parts for locomotives and waggons are urgently required.

3. German buyers are in Turkey arranging for the purchase and export of various products within the quotas fixed by the Turco-German barter agreement of June last. A number of important contracts have been placed, e.g., for valonea, skins, oilseeds, olive oil, hazelnuts, tobacco, etc.

4. Easier transport conditions on the Danube have resulted in the arrival of several ships in Istanbul laden with goods from Germany and Central European countries, which had been delayed in transit owing to the Danube being closed by ice. Goods to the value of £T.3,000,000 are awaited.

5. The export ban on coal, cereals and wool is still in force. Small exceptions have been allowed in respect of barley to Greece and wool to Russia. The general export by licence regime is still rigidly applied. Export quotas are allocated to Export Unions for re-allocation to their members.

MONTHLY REPORT ON ECONOMIC CONDITIONS
IN TURKEY

JANUARY 1941

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No change

Commercial Bills discounted:-

Jan. 25th 1941	£T259,700,000
Dec. 25th 1940	261,000,000
Jan. 25th 1940	214,000,000

Note Circulation	25.1.41.	25.12.40.	25.1.40.
Old issue	138,600,000	138,825,000	140,760,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	17,000,000
Supplementary to old issue covered by Commercial bills	249,000,000	242,000,000	140,000,000
Supplementary issue in virtue of Law 3902 (Advance to Treasury against gold).	14,000,000	14,000,000	--
	418,600,000	411,825,000	297,760,000

Law 3978 of Jan. 10th 1941 prolongs for three years the period indicated by Art.8 of the Law of the Central Bank of Turkey (1715 of 11th June 1930). A period of 10 years was allowed for special administrations, Municipalities, Public Utility Companies and semi state Institutions to deposit their monies at the Central Bank and banks named. This period of 10 years (which expired on June 30th 1940) is thus prolonged until June 30th 1943.

(b) Restriction or expansion of commercial credit.

There has been an increase in the paper money circulation as shown at (a) above.

Advances to Treasury based on gold deposit of Kgs.55,541.930 were £T114,585,000 on January 25th 1941 as compared with £T101,585,000 on December 25th 1940. Short term advances (uncovered) amounted to £T1,701,000 on 25th December 1940 but these were liquidated on January 25th 1941. Uncovered advances short term to the Treasury 1939 amounted to £T7,972,000.

(c) Changes in commercial banking interest rates.

No change.

2. STOCK EXCHANGE

(a) General movement of
(i) share

	1929	1933	1934	1941
Internal loan:				
Loan 1933		100		101
" 1934			100	100
" (lottery) 1938 (1)	100			100
External loan		100		72

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	1929	1933	1934	1941
(1) has replaced 1918 interior loan				
Principal industrial shares : (tram, flour mills, cement, breweries, etc.)	100			30
Public utility companies in liquidation (water, telephone Anatolian railways)	100			42
Central Bank of Turkey			100	156
Anatolian railway debentures	100			119

(ii) bond values

nil

(b) New Capital issues.
(as a whole)

nil

3. BUDGET

(a). Estimates

Law 3936 of December 10th 1940 approved reductions of £T356,387 and £T130,000 in respect of interest and amortisation (year 1940-41) of the U.K. Export Credits Agreement £10,000,000 (May 28th 1938) (Law 3525) which was previously estimated for at £T1,000,000.

Credits voted to date for 1940-41.

a) Ordinary: original votes	£T268,476,321
Supplementary voted up to 2nd Jan. 1941	40,000,000

£T308,476,321

b) Extraordinary original votes	£T109,922,000
Credits voted 27th July, 1940	64,013,334
" " " " "	750,000
" " 2nd Jan. 1941	3,400,000

£T178,085,334

Grand total

£T486,561,655

(b) Current figures of revenue
and expenditure

Revenue during first four months of current year 1940-41 compared
with same period in 1939-40.

	June-Sept. 1940 £T.	June-Sept. 1939 £T.	Difference £T.
Ordinary revenue	111,501,000	103,190,000	+ 8,311,000
Extraordinary "	81,189,000	52,284,000	+ 28,905,000
Miscellaneous "	5,096,000	1,124,000	+ 3,972,000
Treasury Refunds	1,056,000	6,588,000	- 5,532,000
	198,842,000	163,186,000	+ 35,656,000

(i) Revenue in the period under review was £T8,311,000 higher than in preceeding year period. Customs receipts were down by £T7,850,000 and the turnover tax was down by £T2,370,000. These diminutions were largely compensated by increased yield of new fiscal charges established since June 1940.

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(ii) Extraordinary revenue was higher by £T28,905,000. This was due chiefly to the Central Bank's advances to the Treasury against gold deposits (Law 3850). These advances for the period June-Sept. 1940 totalled £T46,000,000 as compared with nil in the same period 1939.

(c) Supplementary Expenditure

Law 3967 of Jan. 2nd 1941 sanctions supplementary credits as follows:-

- a) £T40,000,000 for Ministry of National Defence (Land Forces) thus making the total expenditure for this Ministry (both ordinary and extraordinary) for 1940-41 fiscal year up to the grand total of £T262,284,534
- b) Extraordinary credits of £T3,400,000 for Ministry of Finance, Customs and Geniarmerie.

N.B. £T262,284,534 for National Defence represents 54% of total credits.

Turkish State Railways

On Jan. 10th 1941 Supplementary Credits were voted as under:- Law 3979.

1) Expenses for staff	£T 270,000
Fuel, oil, lighting, heating	1,026,000
Upkeep & renewals of installations	2,294,000
	£T3,590,000 for 1940-41 fiscal year

- 2) Under Law 3980 of Jan. 10th 1941 an extraordinary credit of £T3,200,000 was also voted. This was included in a special credit of £T16,000,000 (also covered by Law 3980) for expenditure on State Railways, P.T.T., Marine, Port, and Aviation Services, to be charged to 1940-41 budgets of the respective Departments on in the fiscal years when expenditure is actually made.

- (a) Issue of Government bonds and method of financing deficits.

Provisional estimates for 1939-40 amount to £T380,000,000. Hence credits granted to date for 1940-41 exceed those for previous year by £T100,000,000. This increase will be covered by the usual method (Treasury Bonds discounted at Central Bank; and last slice of Erzerum Sivas Loan £T5,500,000; new silver coins etc). and also by two new methods specially created for 1940-41 viz:

- 1) Advances by Central Bank to the Treasury against gold deposit.
The amount of gold deposited at the Central Bank for this purpose up to 20.1.41 amounts to Kgs. 55,541 decimal 930 equal to £T paper 78,124,168 (fine gold calculated at Pts 520 = £1 sterling). Advances made to the Treasury by the Central Bank for 1940-41 amount to £T114,585,000 as on Jan. 25th 1941.
- 2) Treasury Bonds can be issued up to a total of £T100,000,000 instead of up to only £T40,000,000 as fixed by finance Law for 1940-41. These bonds are backed by the legal reserve which Banks are obliged to hold as cover for deposits with them under the Banking Law 2999 of 5th June 1936 - Art. 26.

(e) Year's Accounts

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices, wholesale prices of import products, export products, agricultural products, industrial products.

The Turkish Ministry of Commerce has published in respect of Istanbul the following comparative indices relating to the cost of foodstuffs (coût de l'Alimentation).

Basis 1933 = 100

Sept. 1939	120.2
Oct. 1940	137.7
Nov. 1940	159.8

N.B. Cost has increased by 33% as compared with Sept. 1939 and by 59% " " " 1933 basis

The average for Nov. 1940 for the whole country is given as 152.3 as against 118.3 in Sept. 1939 and 100 in 1933.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

a) Internal:- Payments regular and mostly "cash".

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate for diplomatic missions and staffs £1 = 728 ptrs, i.e. official rate 520 ptrs + 40% premium.

(b) Central Bank's reserve of foreign exchange.

The market deficit in exchange in December 1940 amounted to £268,000. This was made up by the Central Bank. The total deficit for the period Jan.-Dec. 1940 = £1,918,000 as compared with £1,195,000 for same period 1939. Free exchange at the disposal of the Central Bank of Turkey in U.K., France, Switzerland, Sweden, Greece, Eire, Belgium, and Japan arising out of Clearing and Compensation Agreements; as also exchange arising out of sales to U.S.A. is kept in separate account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden

7. EXCHANGE CONTROL

(a) Changes in regulations.

Law 3974 of 10th Jan. 1941, voted Jan. 6th 1941, and published in Turkish Official Gazette of 15th Jan. 1941, extended for a further period of 3 yrs the Law (1567 of Feb. 22nd 1930) for the protection of Turkish Currency.

(b) Changes in administrative delays and difficulties.

nil

86382-1

4

86382-1

2

- (c) delay in transfer
(i) in general

Delays in settlement rather long for payments of goods from countries having agreements with Turkey except for Roumania, Estonia, Yugoslavia, Greece, Finland, U.S.S.R., Hungary, Lithuania, & Switzerland.

- (ii) For particular trades if they differ from normal

Nil

- (d) Liquidation of arrears, if any to U.K. and other countries

Arrears are liquidated slowly.

8. CLEARINGS

- (a) New Agreements; cancellation or modification of existing Agreements.

Law 3971 voted 3.1.41, published 14.1.41, ratified the Anglo-Turkish Payments Agreement and Allied Documents signed in Angora 2.12.40.

N.B. The text of the Agreement in 5 Articles (but not of the Confidential Supplementary Protocol or other Annexes) was also published in Turkish. Translation in the Turkish Official Gazette of Jan. 14th 1941.

The Turco-Swedish Agreement has been denounced as from March 1st 1941. A new Commercial Treaty on a new basis will be negotiated.

The Turco-Italian Commercial Agreement expired Dec. 31.40.

Law 3970 of 3.1.41 authorized the Government to conclude commercial agreements and "modus vivendi" of a provisional character, with foreign countries and to modify customs duties within such agreements and also to adopt special measures against imports from countries unwilling to conclude such agreements.

- (b) Position of liquidation of balances on either side on 25th Jan. 1941

		DEBTS		CREDITS
Germany	"A" A/c	16,517,600	"B" A/c	1,952,900
			"D" A/c	1,208,600
Belgium		667,900		
Czechoslovakia		351,600		
Estonia		13,500		
Holland		404,700		
Spain		279,400		
Sweden	"D" A/c	2,030,500	"A" A/c	67,100
Italy	"A" A/c	914,800	"B" A/c	103,000
Poland		234,800		
Latvia		439,000		
Hungary		11,300		
Norway		4,300		
U.S.S.R.		48,000		
Finland				954,300
Switzerland		18,300		255,200
Lithuania				41,800
Roumania - Petrol A/c				248,300
- General A/c				204,800
- Provisional A/c				96,300
Yugoslavia				247,000
Greece			"A" A/c	106,700
			"B" A/c	70,000
		£T 21,935,700		£T 5,556,000

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

86382-1

5

Compensation premia applied by Takas Ltd. on
3rd February 1941.

Country	Premium on Imports	Exportation premium		Percentage of transaction on which premium is payable 100%
		Spot	Forward	
Countries on an interchangeable compensation basis				
Art.4 Decree 2/7005	51	40	39	100
United Kingdom	48	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Export and Import Balances on 25.1.41.

Country	Exports		forward sales	Imports
	Spot	Goods £T	£T	£T
Interchangeable	-	-	117,291,47	1,440,725,71
United Kingdom	1,911,276,40	-	86,330,81	-
France	1,870,886,61	-	91,340,70	-
Sweden	211,392,74	-	89,413,50	-
Switzerland	1,129,714,90	-	372,646,85	-
Holland	4,873,99	-	-	-
Belgium	-	-	-	10,604,18
	5,128,144,64		757,023,33	1,451,329,89

9. FOREIGN TRADE

(a) Total import and export figures.

	Dec. 1940 £T	Dec. 1939 £T	Difference £T
Imports	5,330,549	5,553,081	- 222,532
Exports	11,873,831	11,554,282	+ 319,549
	+ 6,543,282	+ 6,001,201	+ 97,017

(b) Important changes in direction.

The following figures show the value and percentage of Turkish foreign trade by principal countries during the month of December 1940. It is of interest to note that U.K. was Turkey's leading customer and supplier in the month under review - Roumania taking second place as regards imports.

EXPORTS					
	Dec. 1940 £T'000s	Percentage	Dec. 1939 £T'000s	Percentage	
United Kingdom	1937	16.31	1025	8.87	
Roumania	1688	14.22	183	1.59	
Hungary	1745	14.70	532	4.60	
Germany	1237	10.42	838	7.25	
Switzerland	1298	10.93	346	3.00	
U.S.A.	767	6.46	1789	15.49	
Czechoslovakia	406	3.42	602	5.21	
Greece	392	3.30	155	1.34	
Italy	319	2.68	2181	18.87	
France	-	-	1181	10.22	
U.S.S.R.	112	0.94	905	7.83	
86382-1		6			

	IMPORTS			
	Dec. 1940	Percentage	Dec. 1939	Percentage
	£T'000s		£T'000s	
United Kingdom	1226	23	566	10.19
Roumania	1096	20.59	168	3.02
Germany	521	9.77	1280	23.06
Italy	442	8.28	1022	18.40
Hungary	338	6.34	92	1.65
Czechoslovakia	234	4.39	55	1.00
Br. India	204	3.84	51	0.92
Switzerland	176	3.30	32	0.57
U.S.A.	167	3.12	941	16.95
Brazil	155	2.92	164	2.96
France	18	0.33	139	2.50
U.S.S.R.	81	1.52	93	1.68

(c) General changes in tariff or in import restrictions recent or probable.

nil

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

Decree 2/15054 of 21st Jan. 1941 raised from 2 to 4 million liras the grant to the Turkish Ministry of Commerce for the purchase of tobacco.

Decree 2/14974 of 30th Dec. 1940 authorized the grant of £T3,000,000 for the purchase of agricultural machinery and other material for intensifying crop production and harvesting in Turkey. Over £T1,000,000 has already been spent in U.S.A. on harvesters, threshers, tractor combines together with implements for ground levelling in cotton growing areas. The material is to be rushed by special charter to Turkey via Suez.

Turkey is negotiating provisional commercial and barter agreements with both Hungary and Germany. It is understood that the Germans have offered the following items:- newsprint £T1,500,000; supplies for Ministry of Health £T200,000; dyestuffs £T750,000; chemicals £T750,000 against hazelnuts, haricot beans, bran, sesame seed, and mohair. Turkey is in need of hospital and pharmaceutical supplies.

Hungary is offering railway trucks against copper.

Turkey has agreed to accept 10,000 tons structural steel from India. An endeavour is being made to supply a further 9,000 tons from this source.

Latest figures regarding sugar supplies are as follows:-

Local production from 1940 crop	Tons 90,000
Previous stocks	" 15,000
With merchants	" 4,000
	" 109,000 (more than
	1 years requirements)

Maize: Estimate of crop is now 730,000 tons = 20,000 tons over last year. Some exports may be allowed.

Rubber: It is reported that out of 302 tons raw rubber imported by U.K.C.C. 100 tons have been released for local market requirements. A certain amount has been sent on to Greece.

Certain import consignments (value £T3,000,000) for Turkey are reported to be blocked on the Danube and cannot arrive before March. £T1,000,000 has been paid in advance. To forward by rail is too costly. Similarly

Turkish exports are held up on the Danube but these have been paid for. India is now buying Turkish olive oil which lessens exports to Germany. Owing to a shortage of iron drums, casks will probably be used.

Italy-Turkey Trade:- Turkey owes about £1,400,000 in respect of textiles etc. but recent large shipments of fish, eggs, sultanas, and skins have helped to reduce this adverse balance. The Commercial Agreement has expired (31.12.40). The Clearing account is not entirely liquidated. Trade between the two countries is calm but licences are being granted for the export of Turkish products - mostly against advance credits opened by the Italians.

New plans of the Economic Co-ordination Council include:-

- a) Reorganisation of Turkey's industry to exclude luxury goods and to concentrate on semi-luxuries and necessities. Public is invited to eschew luxury goods.
- b) Government will accumulate stocks of necessities and will open public sales branches for necessities in order to keep prices down. Profiteers are to be prosecuted.
- c) Standard bread with rye content will be sold at 11 ptrs a kg.
- d) Importers have been summoned to Ankara (to the Presidence du Conseil). Ministers will discuss Government grievances regarding cornering and inflated prices. If no improvement sets in the Government threatens to monopolise imports.

It is understood that the recent census of wool stocks in Istanbul Vilayet showed a total of 7,000 bales. Some of this will be shipped to Russia, (debt payments) and some allocated to local factories.

The Government plans to create reserve stocks of medical supplies in Turkey. New orders are being sent to U.K., U.S.A. and Netherlands East Indies for these goods.

The Turkish State Railways is in the market for 50 tank waggons (for benzine).

Law 3955 of 28.12.40 authorises the French Embassy to spend in Turkey certain credits due to France, but blocked at the Central Bank e.g. interest on the special loans (Franco-British-Turkish Agreement 1940).

Law 3956 of 28.12.40 also allows the expenditure of £17,000,000 (not subject to 30% premium) in Turkey, due under the Agreement of 23.6.39 Art.2 of the Protocol.

MONTHLY REPORT ON ECONOMIC CONDITIONS IN TURKEY

NOVEMBER 1940

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No Change

Commercial Bills discounted:-

Nov. 23rd 1940	£T257,000,000
Oct. 20th 1940	263,000,000
Nov. 23rd 1939	207,000,000

Note Circulation	23-11-40	20-10-40	23-11-39
Old Issue	139.357.000	139.357.000	141.440.000
Supplementary to old issue and covered by gold.	19.000.000	19.000.000	17.000.000
Supplementary to old issue covered by commercial bills	242.000.000	217.500.000	138.000.000
£T	400.357.000	375.857.000	296.440.000

(b) Restriction or expansion of commercial credit.

- 1) Short term advance to Treasury by Central Bank of Turkey shows an increase of £T27,986,000 as compared with last year

20.10.40	23.11.40
64,988,000	92,974,000
- 2) On 23rd Nov. 1940 Central Bank had advanced to the Treasury £T88,585,000 as against £T61,585,000 Oct. 20th 1940 under the sanction of Law 3850 on security of Kgs. 55,541.930 gold valued at £T78,124,167.

(c) Changes in commercial banking interest rates

No change

8 1/2% against security

12% uncovered

Official discount rate since 1-7-38 = 4 1/2%.

2. STOCK EXCHANGE

(a) General movement of

(i) share

	1929	1933	1934	1940
Internal Loan:				
Loan 1933		100		101
" 1934			100	100
" (lottery) 1938 (1)	100			100
External loan		100		66
Principal industrial shares (tram, flour, mills, cement, breweries, etc.)	100			31
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			43

(1) has replaced 1918 interior loan

85711-1

1

	1929	1933	1934	1940
Central Bank of Turkey			100	150
Anatolian Railway Debentures	100			106

(ii) bond values

nil

(b) New Capital issues
(as a whole)

nil

3. BUDGET

(a) Estimates

nil

(b) Current figures of revenue and expenditure

No figures published since June-July 1940. Ordinary Revenue for period June-August 1940 = £T90,000,000 as compared with, in June-August 1939 = £T85,000,000. This result was attained despite a drop in Customs' revenue of £T10,000,000.

(c) Supplementary Expenditure

nil

(d) Issue of Government bonds and method of financing deficits.

nil

(e) Year's Accounts

nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; whole-sale prices of import products, export products agricultural products, industrial products.

The Istanbul Municipality has decreed the following increases in the officially controlled price of bread:

from 12 ptrs per kilo to 13.75 on Dec. 1st
from 13.75 ptrs per kilo to 14.50 on Dec. 15th

Flour prices have also been raised by Decree. A standard loaf is soon to be put on sale. The Ministry of National Economy estimates the "cost of foodstuffs index" for October 1940 at 142.8 as compared with 121.3 in October 1939 (on the basis of 1933 = 100).

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

(a) Inland Trade. - In October 1940 payments were regular and for cash generally speaking.

(b) Payments abroad have been greatly disorganized by political events.

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate for Mission staffs on telegraphic transfer 728 ptrs = £1
(for cheques 702 ptrs = £1)

- (b) Central Bank's reserve of foreign exchange

The market deficit in October 1940 amounted to £71,000 which was met by the Central Bank of Turkey. During the period Jan.-Oct. 1940 the total deficit amounted to £1,506,000 against £1,104,000 in the corresponding period 1939. Free exchange to the credit of the Central Bank of Turkey in United Kingdom, France, Switzerland, Sweden, Greece, Eire, Belgium, Japan in connection with clearing and compensation accounts and of U.S.A. dollars in respect of ... exports to U.S.A., are kept in a special account.

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange

forbidden

7. EXCHANGE CONTROL

- (a) Changes in regulations.

- i) Decree 2/14587 of 27th October 1940 (reported in 550 E of 29th November 1940) provides that interests and dividends be transferred to the United Kingdom by British companies operating in Turkey by the export of goods enumerated in the second schedule of, and in accordance with, the terms of the Agreed Minute attached to the Anglo-Turkish Trade and Payments Agreement of the 3rd February 1940.

- ii) The list of territories agreed upon (For Compensation trading) in Article 1 of the Confidential Protocol annexed to the Anglo-Turkish Trade and Payments Agreement of February 3rd 1940 as those to which Article 3 (2) should apply is extended to include Egypt, Iraq and the Anglo-Egyptian Sudan, so long as these territories remain part of sterling area (reported in No. 497 E. of the 8th October 1940).

- iii) Decree 2/14573 of the 23rd October 1940 enables interested parties to transfer blocked funds, dividends, interest by the export of Turkish products selected from a list of 15 items where such amounts are due to companies whose capital is either wholly or partially foreign and whose head offices are established abroad. The export is subject to the grant of licences by the Ministry of Commerce. Further, such transfers may only be made if a guarantee is established that they fall outside existing clearing or compensation payment agreements.

- iv) Decree 2/14636 of November 6th 1940. Authority to import after exports have been effected as per decree 2/12198 of 23.10.39 granted to Takas Ltd. up to October 28th 1940 has been extended for one year, i.e. up to 31st December 1941.

- (b) Changes in administrative delays and difficulties.

- (c) Delay in transfer
(i) in general

Delays very long for payment of goods from "clearing" countries except for Roumania, Estonia, Yugoslavia, Greece, Finland and U.S.S.R. Lithuania and Switzerland.

- (ii) for particular trades if they differ from normal.

Payment terms for United Kingdom shippers have recently been greatly facilitated by United Kingdom C.C. arrangements to grant letters of indemnity to the former and to accept bank payment guarantees from Turkish importers pending safe arrival of goods in Turkey.

- (d) Liquidation of arrears, if any, to United Kingdom and other countries
Arrears are liquidated slowly.

8. CLEARINGS

- (a) New agreements; cancellation or modification of existing agreements.

The Anglo-Turkish Financial Agreement was signed in Ankara on 2nd December 1940. This provides (inter alia) for (a) the opening of Special Accounts at the Bank of England for canalising all payments between United Kingdom, the Empire, the Sterling Area and Turkey. (b) the practical linking of the Turkish lira to the £ sterling by stabilizing the existing Turkish lira-sterling rate of exchange, subject to the purchase price of gold in London remaining unchanged. Thus the fixed rate is 520 ptrs = £1; but commercial transactions will go through Takas as usual with premiums (import and export) as arranged. (See also official reports).

- (b) Position of liquidation of balances on either side, on 30th Nov. 1940.

	DEBITS		CREDITS
Germany "A" A/c	21,469.900	"B" A/c	2,310.400
Belgium	684.700		
Czechoslovakia	477.800		
Estonia	27.700		
Spain	279.300		
Sweden "D" A/c	2,314.400	"A" A/c	68.800
Switzerland	11.100		
Italy "A" A/c	1,252.900	"B" A/c	108.200
Holland	419.200		
Poland	311.700		
Latvia	465.800		
Norway	14.500		
U.S.S.R.	31.200		
Germany		"D" A/c	917.300
Finland			595.400
Goods to be exported to Switzerland under Agreement			1.700
Lithuania			41.800
Hungary			41.400
Roumania - General A/c			55.300
Petrol - Petrol A/c			1,242.900
- Private A/c			46.000
- Provisional A/c			96.400
Yugoslavia			489.200
Greece "A" A/c	30.500	"B" A/c	48.700
£T	27,790.700	£T	6,093.500

- (c) Premium or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. on 9th December 1940 were as under:-

Country	Premium on Imports	Exportation premium Spot Forward	Percentage of transaction on which premium is payable 100%
Countries on an inter-changeable compensation basis Art.4 Decree 2/7005	48	40 39	100
United Kingdom	51	40 39	100
Belgium	51	40 39	100
Holland	51	40 39	100
Sweden	51	47 46	100
France	51	40 39	100
Switzerland	51	40 39	100

85711-1

4

Export & Import Balances on 28.11.40

Country	Exports Spot Goods £T	Forward Sales £T	Imports £T
Interchangeable	-	90.825,88	2.500.871,78
United Kingdom	-	86.330,81	338.897,68
France	1.981.226,02	91.340,70	-
Sweden	170.300,20	70.102,63	-
Switzerland	1.082.060,18	538.318,01	-
Holland	4.873,99	-	-
Belgium	-	10.647,13	7.879.90
	<u>3.238.460,39</u>	<u>887.565,16</u>	<u>2.892.649,36</u>

9. FOREIGN TRADE

(a) Total import and export figures

	Oct. 1940 £T	Oct. 1939 £T	Difference £T
Imports	3,908,143	6,879,553	- 2,971,410
Exports	6,414,989	18,985,832	- 12,570,843
	<u>+ 2,506,846</u>	<u>+ 12,106,279</u>	<u>- 15,542,253</u>

Decrease in turnover = -60% value
value

(b) Important changes in direction

The following figures show the value and percentage of Turkish foreign trade by principal countries during the month of October 1940.

I M P O R T S				
	Oct. 1940 £T'000s	Percentage	Oct. 1939 £T'000s	Percentage
Roumania	815	20.86	120	1.74
Italy	776	19.86	643	9.35
United Kingdom	571	14.62	1060	15.40
Czechoslovakia	305	7.81	114	1.62
Germany	263	6.73	2535	36.85
Hungary	275	7.02	35	0.51
Greece	151	3.86	56	0.82
Switzerland	142	3.64	20	0.30
Bulgaria	96	2.47	54	0.79
U.S.A.	77	1.97	869	12.64
Brazil	87	2.22	143	2.08

E X P O R T S				
	Oct. 1940 £T'000s	Percentage	Oct. 1939 £T'000s	Percentage
U.S.A.	2206	34.39	6455	34
Switzerland	1092	17.02	371	1.95
Hungary	476	7.42	114	0.60
Yugoslavia	447	6.96	58	0.31
Roumania	327	5.10	143	0.75
Sweden	307	4.78	187	1.00
Greece	258	4.03	26	0.14
Czechoslovakia	189	2.95	601	3.16
United Kingdom	160	2.49	1766	9.30
Germany	143	2.22	5643	29.72
Egypt	138	2.15	337	1.77
Iraq	93	1.45	20	0.11
Bulgaria	91	1.42	109	0.57
Italy	14	0.23	524	2.76

- (a) Any factor largely affecting demand for imports, supplies, available for export, or foreign demand for exports.
- 1) Arrangements concluded under the Anglo-Turkish Financial Agreement (signed in Ankara 2.12.40) and valid as from 4th December 1940, should result in a very considerable extension of trade between Turkey-British Empire and Sterling Area. Provision is made (inter alia) for the grant of special insurance, transport, export licence and payment facilities in favour of Turkey in respect of imports from the British Empire, Netherlands East Indies and U.S.A. The conclusion of the Agreement enables the United Kingdom C.C. to proceed with large scale purchases of Turkish products (contracts for 10,000 tons sultanas and 5,000 tons figs and for oilcake have since been placed to date), to be counterbalanced by a steady flow of import goods required by Turkey from the sterling area. Deals in respect of the delivery of 22 locomotives 400-600 waggons; steel and jute from India, oil reservoirs from Abadan and equipment for military factories, will now go through.
 - 2) Recent Government decisions permit exports by Takas to Denmark, Czechoslovakia, Holland, Spain, Poland, Belgium and Iran. Also, in respect of Italy, fish, eggs, vegetables, dried fruits, and other goods may be shipped providing such exports are covered by confirmed letter of credit in advance. Italy is to send textiles, chemicals and druggist sundries in return. Traffic moves by rail via Istanbul.
 - 3) Decision 66 of 26th Oct. 1940 of the General Economic Coordination Committee published in Decree 2/14585 authorizes the Turkish Ministry of Commerce to spend £2,000,000 for direct purchase from producers of figs and sultanas. This is to maintain internal price levels and to arrange resale abroad; at controlled minimum prices.
 - 4) Decree 2/14703 of 19th November 1940 severely restricted the circulation of all motor passenger transport vehicles in order to economise benzine and oil supplies.
 - 5) Decree 2/14660 of the 15th November proclaimed a state of siege and a general black out scheme for one month as from 23.11.40 in the vilayets of Istanbul and certain others. This caused a run on blackout material, blue lampbulbs, hand torches and batteries, which could not be satisfied.
 - 6) BASRA ROUTE
A certain amount of tea, gunnies and hessians from India and of chemical products and other manufactured goods of U.S.A. origin is already moving via this route into Turkey. It was reported that at end of November 7000 tons of goods for the Turkish Ministry of National Defence were awaiting rail transport at Basra. This should tax the limited capacity of the route for two and a half months. The Turkish Government and United Kingdom C.C. appear to be in a position to monopolize all available space.
 - 7) An official import and export Control Committee has been set up December 5th (with members from the Ministries of Finance, Economy, Agriculture and Commerce) to:
 - a) fix maximum prices at which specific goods may be imported; and minimum prices at which Turkish products may be exported.
 - b) Manage a fund at the Agricultural Bank to take over the surplus of profits from sales of goods whose price is less abroad - in respect of Government orders.
 - c) operate credits if (1) £8,500,000 granted to the Agricultural Bank for the purchase of tyres, inner tubes for lorries and cars; and (2) £350,000 for the purchase of caustic soda.
 - 8) TOBACCO CROP
The Aegean region crop is returned as being 34,000 tons (including 13654 tons in Izmir region). U.S.A. normally buys for a value of £24,000,000 but shipping difficulties may prevent such large purchases this time.

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9) CHROME

Shipment of large quantities of chrome for United Kingdom is proceeding normally in accordance with contracts made.

S T O C K S

10) RUBBER

According to a statement by the Turkish Ministry of Commerce:-

(a) "Turkey's normal annual requirements are estimated at 400 tons. Present requirements are larger. It is understood that 300 tons arrived recently but 350 tons are still wanted".

11) COFFEE

(b) "Annual normal requirements are reported as 100,000 bags. The 55,000 bags which have been put on sale since the autumn should last until the end of January. Coffee on order and on route should be sufficient to cover 1941 requirements".

12) TEA

(c) "100,000 kgs. are in stock (enough for one year). Price is 50% above pre-war. A kilo (retail) costs from 900 to 1200 ptrs.

13) COCOA

40 tons (cocoa) which arrived from U.S.A. en route for Lithuania have been held up in the customs since the annexation by U.S.S.R. of that country. Local chocolate factories have now persuaded the Turkish authorities to release this lot for local market consumption requirements. Another lot of 20 tons has been secured. These 60 tons should suffice for one year.

14) KARABUK

Stocks of steel at Karabuk on December 10th 1940 were reported as 2506 tons (rounds, angles, plates, beams, billets). It is understood Karabuk will export 1500 tons foundry iron to Hungary to be made into nails and metal goods for Turkey.

(15) GALVANIZED SHEETS

Decree 2/14658 of 18th November 1940 ordered an immediate return of stocks of thin steel sheets and galvanized sheets of a thickness 0.45 to 1 mm. No data regarding stocks available has been published.

16) TINPLATE

Stocks of tinplate are now sufficient for three months requirements owing to recent arrivals from United Kingdom 500 tons monthly are required.

17) In accordance with the Turco-German commercial Agreement (July 1940) Germany has delivered 4 locomotives (type 25) and some waggons. It is understood that 15 other locos are in transit to Turkey, viz: 9 in Bulgaria, and 6 in Hungary, and may be expected shortly. The Turkish reception commission was not allowed to visit Krupps (for obvious reasons). Olive oil and other products will be sent to Germany in exchange, in accordance with the Agreement of July 1939.

MONTHLY REPORT ON ECONOMIC CONDITIONS IN TURKEY

DECEMBER 1940

1. GENERAL CREDIT POSITION

(a) Central Bank Policy.

No change

Commercial Bills discounted:-

Dec. 23rd 1940	£T261,000,000
Nov. 23rd 1940	254,000,000
Dec. 23rd 1939	208,500,000

Note Circulation	23-12-40	23-11-40	23-12-39
Old issue	138.825.000	139.357.000	140.760.000
Supplementary to old issue and covered by gold	17.000.000	19.000.000	17.000.000
Supplementary to old issue covered by Commercial bills	242.000.000	242.000.000	139.000.000
Supplementary issue in virtue of Law 3902 (Advance to Treasury against gold).	14.000.000	--	--
£T	411.825.000	400.357.000	296.760.000

(b) Restriction or expansion of commercial credit.

Note circulation has increased.

On 23rd Dec. 1940 £T101,585,000 had been advanced to the Treasury against £T88,585,000 on 23rd Nov. 1940 (under Law 3850) based on gold deposit of Kgs. 55,541.930. Short term advances to Treasury £T1,701,000 against £T4,389,000 on 23rd Nov. 1940. Total advances to Treasury (including short term advances), on Nov. 23rd 1940 £T103,286,000, on Nov. 23rd 1939 £T92,974,000.

(c) Changes in commercial banking interest rates.

No change.

2. STOCK EXCHANGE

(a) General movement of (i) share

	1929	1933	1934	1940
Internal loan:				
Loan 1933		100		101
" 1934			100	100
" (lottery) 1938 (1)	100			100
External loan		100		67
Principal industrial shares (tram, flour mills, cement, breweries, etc.)	100			32
Public utility companies in liquidation (water, telephone, Anatolian railways)	100			44
Central Bank of Turkey			100	148
Anatolian railway debentures	100			107

(1) has replaced 1918 interior loan

(ii) bond values

nil

85624-1

(b) New Capital issues (as a whole)

nil

3. BUDGET

(a) Estimates

Nil

(b) Current figures of revenue and expenditure

	June-August 1940 £T	June-August 1939 £T		Difference £T
Ordinary revenue	89.548.000	84.473.000	+	5.075.000
Extraordinary "	70.767.000	39.117.000	+	31.650.000
Miscellaneous "	4.442.000	959.000	+	3.483.000
Treasury refunds	897.000	5.602.000	-	4.705.000
	165.654.000	130.151.000		35.503.000
	=====	=====		=====

N.B. Customs receipts were less by £T7,500,000. Turnover tax receipts less by £T2,400,000. Both diminutions were largely compensated by new fiscal charges operative since June 1940. The increase of extraordinary revenue by £T31,650,000 was due to advances made by Central Bank to the Treasury against the gold deposit (Law 3850).

(c) Supplementary Expenditure

nil

(d) Issue of Government bonds and method of financing deficits.

The increase under the heading in 3b above viz "miscellaneous receipts" and the decrease in the item "Treasury Refunds" are due to the incorporation into "miscellaneous receipts" of "gifts" and funds from Aviation lottery whereas in 1939/40 these items figured under "ordinary accounts". The last slice amounting to £T5,500,000 of the External loan Sivas-Erzurum was called at the beginning of December 1940.

(e) Year's Accounts

nil.

4. PRICE LEVELS.

Latest published indices. General wholesale and general retail prices; wholesale prices of import products; export products agricultural products, industrial products.

No new data has been published officially but a price control committee has been set up to endeavour to moderate profiteering and to fix prices and profits within certain limits. The general level of wholesale prices in December 1940, it is announced, had risen by 35% approx. as compared with December 1939.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Internal payments: No change. Payments regular and mostly for cash.

Exterior payments: Settlements have been greatly upset by political events.

35624-1

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate for diplomatic missions and staffs £1 = 728 ptrs i.e. official rate of 520 ptrs plus 40% premium.

- (b) Central Bank's reserve of foreign exchange.

Market deficit in foreign exchange in November 1940 was £144,000. This was made up by the Central Bank. Since January up to November 1940, the total deficit has been £1,650,600 as against £1,075,000 for the corresponding period in 1939. Free exchange to the credit of the Central Bank of Turkey in U.K., France, Switzerland, Sweden, Greece, Ireland, Belgium, Japan, in connection with clearing and compensation accounts and of U.S.A. dollars in respect of exports to U.S.A. are kept in a "special Account".

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

- (a) Changes in regulations.

By Decree 2/14854 of the 14th Dec, 1940 orders all sterling to be deposited at the Central Bank. Banks may only send sterling to their branches with the consent of the Central Bank. Banks may not sell currency abroad to buy sterling.

- (b) Changes in administrative delays and difficulties.

nil

- (c) Delay in transfer
(i) in general

Delays are long in respect of goods from clearing countries except for Roumania, Estonia, Yugoslavia, Greece, Finland, U.S.S.R., Hungary, Lithuania, and Switzerland.

- (ii) For particular trades if they differ from normal.

nil

- (d) Liquidation of arrears, if any to U.K. and other countries

Arrears are liquidated slowly.

8. CLEARINGS

- (a) New Agreements; cancellation of modification of existing Agreements.

Nil

(b) Position of liquidation of balances on either side, on 21st December 1940.

	DEBTS	CREDITS
Germany "A" A/c	20,877.800	
Belgium	686.800	
Czechoslovakia	447.100	
Estonia	30.600	
Holland	104.600	
Spain	279.400	
Sweden "D" A/c	2,311.100	
Italy "A" A/c	1,283.200	
Poland	241.600	
Latvia	486.000	
Hungary	8.500	
Norway	14.600	
U.S.S.R.	59.700	
Germany		"B" A/c 2,069.400
Sweden		"D" A/c 752.800
Italy		"A" A/c 68.500
Finland		"B" A/c 125.100
Switzerland	10.500	720.600
Lithuania		210.800
Roumania - Petrol A/c		41.800
- Private A/c		866.800
- General A/c		46.200
- Provisional A/c		122.500
Yugoslavia		96.400
Greece		235.900
		"A" A/c 188.100
		"B" A/c 84.800
	£T 27,141.500	£T 5,629.800

(c) Premium or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. on 30th December 1940.

Country	Premium on Imports	Exportation premium Spot	Forward	Percentage of transaction on which premium is payable 100%
Countries on an inter-changeable compensation basis Art.4 Decree				
2/7005	48	40	39	100
United Kingdom	51	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Export & Import Balances on 19.12.40

Country	Exports Spot Goods £T	forward sales £T	Imports £T
Interchangeable	-	113,344,16	1,564,139,76
United Kingdom	-	86,330,81	478,728,09
France	1,877,199,33	91,340,70	-
Sweden	166,550,55	83,784,15	-
Switzerland	1,228,034,48	404,136,17	-
Holland	4,873,99	-	-
Belgium	-	10,647,13	13,504,48
	3,276,658,35	789,583,12	2,056,372,33

85624-1

4

9. FOREIGN TRADE

(a) Total import and export figures

	Nov. 1940 £T	Nov. 1939 £T	Difference £T
Imports	5,501,081	6,384,037	- 882,956
Exports	11,043,509	12,045,351	- 1,001,842
	+ 5,542,428	+ 5,661,314	- 1,884,798
	=====	=====	=====

(b) Important changes in direction.

The following figures show the value and percentage of Turkish foreign trade by principal countries during the month of November 1940.

E X P O R T S				
	Nov. 1940 £T'000s	Percentage	Nov. 1939 £T'000s	Percentage
Yugoslavia	1985	17.97	75	0.62
Switzerland	1649	14.93	450	3.74
Germany	1500	13.58	1490	12.37
Hungary	1177	10.66	314	2.61
Sweden	833	7.55	150	1.24
U.S.A.	831	7.52	3147	26.13
Czechoslovakia	568	5.14	1288	10.69
United Kingdom	428	3.88	1180	9.80
Greece	383	3.46	118	0.98
Egypt	238	2.16	91	0.76
France	-	-	701	5.82
Italy	94	0.85	1108	9.20

I M P O R T S				
	Nov. 1940 £T'000s	Percentage	Nov. 1939 £T'000s	Percentage
United Kingdom	1208	21.96	551	8.63
Roumania	1129	20.52	281	4.41
Italy	1032	18.75	850	13.32
Czechoslovakia	452	8.22	42	0.66
Germany	412	7.49	2852	44.67
Hungary	227	4.14	132	2.07
Switzerland	201	3.65	39	0.61
British India	142	2.58	43	0.67
U.S.A.	43	0.78	728	11.40
Egypt	98	1.79	28	0.44
Greece	82	1.50	43	0.67
Sweden	103	1.88	24	0.37
Bulgaria	95	1.73	52	0.82
Brazil	4	0.07	161	2.52

(c) General changes in tariff or in import restrictions recent or probable.

Import licences must now be obtained from the Turkish Ministry of Commerce, Ankara, in respect of goods whose countervalue has to be paid for in free exchange in accordance with the terms of existing clearing and/or other Payments Agreements between Turkey and other countries. Import licences will be refused unless authority is obtained before hand from the Ministry of Commerce to effect such imports (Decree 2/14812 of December 4th 1940).

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

- i. The U.K.C.C. have placed orders for 10,000 tons olive oil, 20,000 tons sultanas, 10,000 tons figs, 12,000 tons oilcake and 7,000 tons mohair. There are large quantities of chrome awaiting shipment and further large purchases of tobacco are to be made on behalf of H.M.G.

- ii. A German delegation has placed orders for 6,900 tons valonea in Turkey for delivery Istanbul by end of February latest.
- iii. A new "Supplies" Section, attached to the Turkish Ministry of Commerce, has been set up to select and control imports, fix prices and profits and grant licences to import in respect of goods to be paid for in free exchange.
- iv. Fuel oils. - Turkish requirements were recently agreed as follows per annum:-

Benzine	56,500 tons	Kerosene	45,000 tons
Gas oil	40,000 "	Fuel oil	20,000 " (approx.)

The growing Turkish Air Force, greater mechanism of the Army, plus mobilisation needs, are factors likely to increase consumption in 1941. Adequate storage space is available and arrangements have been made between H.M.G. and the oil companies to maintain a sufficient flow of supplies from overseas should despatches from Roumania cease. Export licences have been granted by the Roumanian Authorities for prompt shipment of 57,000 tons of fuel and lubricating oils which were contracted for from Roumania by the Turkish Government in December last.

- v. By Decree 2/14585, (of October 26th published on November 11th, 1940), the Government granted a credit of £T2,000,000 to the Turkish Ministry of Commerce to buy sultanas and figs grown in Turkey directly from the producers. The idea of this is to maintain minimum price levels for producers and exporters. The Government will resell the produce in due course. Similar grants of £T2,000,000 for tobacco (Decree 2/14900), £T1,000,000 for olive oil (Decree 2/14901), and £T2,000,000 for bags and string (Decree 2/14902) have been sanctioned.
- vi. Iron and steel. - An offer of 10,000 tons reinforced bars from India, at the rate of 1,500 tons a month, has been made to the Turkish Authorities. Their decision has not yet been made. The Turkish Government are also making efforts to secure large quantities from the U.S.A.
- vii. The press recently announced that, subsequent to his recent visit to Karabuk, the Turkish President was considering proposals to double the output of Karabuk from 150,000 to 300,000 tons iron ingots yearly. There are many obstacles to this proposal, the chief being the difficulty of obtaining sufficient skilled labour and the necessary plant in wartime. Payment would come under "Export Credits" scheme. Stocks of steel at Karabuk on Dec.30th 1940 were returned as 3780 tons.
- viii. The Mayor of the City of Istanbul has appealed for special intervention in London to speed up delivery of the 35 A.E.C. passenger motor buses on order to relieve the traffic problem of Istanbul - where most of the buses in Service are worn out "repaints". Unless something is done Swiss and U.S.A. offers will be considered and the U.K. firm's contract cancelled.
- ix. Plans are announced for the modernising of five Turkish ports on the Black Sea and also of Alexandretta. This will mean important supplies of equipment. U.K. firms have already been notified regarding the schemes which it is understood, are to be proceeded with.
- x. Tyres. - There is an acute shortage of tyres in Turkey. The Ministry of Economic Warfare have therefore released numerous consignments held up by our controls at Basra, subject to the normal guarantees being furnished by Turkish importers against re-export to enemy destinations. 1941 requirements for Turkey are, according to a leading tyre importer, estimated to amount to 35,000 units (at least). The Government has just purchased tyres from Good-year's factory in Java to a value of £T500,000; some of these have reached Basra. Dunlop & Co. have large orders on hand in U.K. The factory had promised supply but shipping space is the difficulty.

TURKEY

December 10, 1940.

CONFIDENTIAL.

SECTION 1.

[R 8849/1213/44]

Copy No. 070

Sir H. Knatchbull-Hugessen to Viscount Halifax.—(Received December 10.)

(No. 532 E.)

My Lord,

Angora, November 15, 1940.

WITH reference to Mr. Morgan's despatch No. 386 E. of the 29th June, 1937, reporting the promulgation of Decree No. 2/6792 of the 8th June, 1937, which authorised the transfer of blocked funds, interests and dividends due to persons resident outside Turkey, by means of the purchase and export of Turkish goods, I have the honour to transmit to your Lordship herewith copy of Decree 2/14573 of the 23rd October, 1940, which modifies existing regulations in this connexion.

2. The new decree names fifteen Turkish products which may be exported for the purpose indicated, subject (1) to the issue of an export licence by the Ministry of Commerce, and (2) to such shipments being effected exclusively to countries (a) of which persons entitled to receive such transfers of blocked funds are nationals, or where they reside; and (b) in which the shareholders or head office of the companies or organisations constituted, either wholly or partially, with foreign capital are established.

3. In the event of such countries having concluded a clearing or payments agreement with Turkey, it is necessary to obtain a guarantee from the competent authorities of those countries that such shipments will fall entirely outside existing clearing or compensation payments agreements. These guarantees must accompany any application to the Turkish Ministry of Finance at Angora for permission to effect such exports. (Article 2.)

4. All supplementary expenses, such as freight and insurance charges, commission, &c., must be settled at destination by consignees out of the value of the goods exported. (Article 3.)

5. This decree, which annuls all previous and existing regulations on this subject (article 4), came into force on the date of its publication in the *Official Gazette*, No. 4650 of the 31st October last.

I have, &c.

H. M. KNATCHBULL-HUGESSEN.

Enclosure.

Décret No. 2/14573 du 23 Octobre 1940

SUR la proposition faite par le Ministère des Finances par sa note No. 54271/1/14504 du 16 octobre 1940 avec l'assentiment du Ministère du Commerce, le Conseil des Ministres a, dans sa réunion du 23 octobre 1940, approuvé la mise en vigueur du décret ci-annexé relatif au mode de transfert des intérêts et dividendes que les sociétés indigènes et étrangères travaillant en Turquie sont tenues de régler à leurs actionnaires et obligataires se trouvant à l'étranger, ainsi que des fonds bloqués actuellement auprès de la Banque centrale de la République de Turquie pour des raisons diverses.

Décret relatif au Mode de Transfert des Fonds bloqués, formant Appendice au Décret No. 12.

Article 1^{er}. Les marchandises énumérées ci-bas sont affectées au transfert des créances bloquées des personnes physiques et morales étrangères établies à l'étranger, ainsi que des intérêts et dividendes que les sociétés et établissements

[12—72]

ayant entièrement ou en partie un capital étranger sont tenus de remettre à l'étranger (à l'exclusion des dispositions des accords et contrats existants) :

- | | |
|------------------------------------|--|
| (1) Anis. | (9) Fruits frais. |
| (2) Eponges. | (10) Conserves de fruits et de légumes |
| (3) Noisettes (récolte 1939). | (les récipients en fer blanc devant |
| (4) Légumes frais. | être fournis par l'acheteur). |
| (5) Racines tinctoriales. | (11) Vins. |
| (6) Tapis. | (12) Liqueurs. |
| (7) Ecume de mer. | (13) Essence de roses. |
| (8) Tabac (récolte de l'année 1938 | (14) Poudre de lait. |
| et des années antérieures). | (15) Eaux minérales. |

Art. 2. Les marchandises indiquées à l'article 1^{er} (celles en regard desquelles une clause spéciale a été prévue, d'après cette clause) peuvent être exportées avec l'autorisation du Ministère du Commerce exclusivement à destination des pays dont ressortissent ou sont établies les personnes étrangères et des pays où se trouvent les actionnaires ou le siège central des sociétés et établissements ayant entièrement ou en partie un capital étranger.

Si ces pays ont conclu avec la Turquie un accord de clearing ou similaire, il faut qu'il soit obtenu des établissements officiels compétents de ces pays une autorisation attestant que la contre-valeur de la marchandise exportée sera laissée hors clearing, compensation ou restriction, et qu'une démarche soit faite auprès du Ministère des Finances avec cette autorisation.

Art. 3. Les frais d'exportation tels que frets, primes d'assurance, commission des marchandises indiquées à l'article 1^{er}, seront réglés à destination par les intéressés avec les devises provenant du transfert de ces marchandises.

Art. 4. Sont abrogées les dispositions jusqu'à présent en vigueur relatives au transfert à l'étranger des fonds entrant dans l'objet de l'article 1^{er}.

Art. 5. Le présent décret entre en vigueur à partir de la date de sa publication.

24th February, 1941.

MEMORANDUM to:-

The Secretary,
Department of the Treasury.

Forwarded herewith, for your information, is
copy of a memorandum prepared by the Commercial Secretary
of the British Embassy at Ankara, showing the final
accounts of the Turkish budget for the fiscal year 1938-39
ended 30th June, 1939.

~~Bel~~ J. D. L. HOOD

Secretary.

2

TURKEY.

November 1, 1940.

CONFIDENTIAL.

SECTION 1.

[R 8160/1213/44]

Copy No. 07()

Sir H. Knatchbull-Hugessen to Viscount Halifax.—(Received November 1.)

(No. 461 E.)

My Lord,

Angora, September 13, 1940.

WITH reference to my despatch No. 607 E. of the 21st October, 1939, regarding the final figures for the 1937-38 Turkish budget, I have the honour to transmit to your Lordship the accompanying copy of a memorandum, prepared by my commercial secretary, showing the final accounts of the Turkish budget for the fiscal year 1938-39, ended the 30th June, 1939.

2. I am sending a copy of this despatch to the Department of Overseas Trade.

I have, &c.

H. M. KNATCHBULL-HUGESSEN.

Enclosure.

THE final Turkish budget accounts for the fiscal year 1938-39, ended the 30th June, 1939 (as published by the Turkish Treasury), compare with those of the preceding year as under:—

	1938-39. £T.	1937-38. £T.
Receipts—		
Ordinary	257,088,972	260,171,164
Extraordinary	54,860,100	39,085,730
Sivas/Erzerum loan	4,639,597	4,140,000
Sundry	2,240,740	1,902,478
Treasury refunds	4,104,440	8,871,438
	322,933,849	314,170,810

The ordinary receipts are those scheduled in the general budget. They show for 1938-39 a decrease of £T. 3 million approximately as compared with those for 1937-38; and an increase of £T. 7 million as compared with budget estimates (£T. 250,049,000) for 1938-39. This decrease of £T. 3 million figured above is due to the diminution of customs revenue in 1938-39, which amounted to £T. 3,500,000 as compared with 1937-38.

The extraordinary receipts are made up as follows:—

	1938-39. £T.	1937-38. £T.
1. Carried forward from previous year	10,921,695	7,242,260
2. Minting of silver money	2,461,900	2,660,377
3. Product of 5½ per cent. bonds (against bankers' deposits)	6,379,709	3,746,085
4. Product of nine monthly bonds	18,408,767	22,168,077
5. Product of Monopoly bonds	30,000,000	...
6. Current account with the Agricultural Bank	3,960,110	...
7. Sale of bonds	70,600	2,021,299
8. Refunds on credits granted to agricultural purchase co-operatives	901,172	...
9. Bonds mortgaged	...	1,056,743
10. Sundry	...	190,889
	73,103,953	39,085,730
Unexpended amount transferred to a special account and carried forward to next fiscal year	18,243,853	...
	54,860,100	39,085,730

[11-53]

	1938-39.	1937-38.
	£T.	£T.
Product of fifth block of internal loan Sivas/Erzerum (called in November 1938)	4,639,597	4,140,000

Sundry revenue and Treasury refunds have been obtained in virtue of special laws. The principal item in the former category is made up by receipts from arrears of real estate and building taxes, due to the Treasury, viz. :—

	£T.
1938-39	1,567,013
1937-38	1,508,204

	1938-39.	1937-38.
	£T.	£T.
The Treasury refunds include—		
Gifts for aviation	1,218,508	3,744,205
Treasury's share (15 per cent.) in the Bridges and Roads Tax	1,551,341	1,838,423
Customs Revenue and other taxes paid by the Treasury on constructional material imported for Government account	925,144	2,131,416

Most of the revenue figuring under Extraordinary Receipts was made up by loans. These are indicated at 3, 4, 5 and 6 above and, including the fifth portion of the Sivas/Erzerum Loan, amount to £T. 63,388,183 as compared with £T. 31,110,905 in 1937-38, obtained in the same way.

	£T.
Of the amount	63,388,183
obtained by loans a sum of	18,243,853
was not spent in 1938-39 and has been carried forward to the succeeding fiscal year. Thus, the funds from loans contracted in 1938-39 which were actually used to cover expenditure in 1938-39 only amounted to	45,144,330

Expenditure incurred in the same fiscal year amounted to	311,121,148
of which amounts paid totalled	296,221,427
and still to be paid total	14,899,721
On the other hand, a debt of	226,387
incurred in 1938-39 has been carried forward for liquidation in the following year.	

National Defence has absorbed 32.5 per cent. = £T. 101,185,000
and Public Works has absorbed 14 per cent. = £T. 43,499,000

TURKEY
MONTHLY REPORT ON ECONOMIC CONDITIONS
AUGUST 1940

1. GENERAL CREDIT POSITION.

(a) Central Bank Policy

No change

Commercial Bills discounted:-

Aug. 24th 1940	£T256,000,000
July 20th 1940	260,000,000
Aug. 25th 1939	139,000,000

<u>Note Circulation</u>	<u>24-8-1940</u>	<u>20-7-1940</u>	<u>25-7-1939</u>
Old issue	139,438,000	139,438,000	141,520,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	19,000,000
Supplementary to old issue covered by commercial bills	203,500,000	200,500,000	69,000,000
	<u>359,938,000</u>	<u>356,938,000</u>	<u>229,520,000</u>

(b) Restriction or expansion of Commercial credit

1. An increase of credit to the Treasury and a decrease of discounted commercial bills is reported.
2. The last balance sheet of the Central Bank of Turkey (Aug. 24th 1940) showed gold reserves at Kgs. 36,715,458 value £T51,643,228.22 as cover for advances to the Treasury (under Law 3850) to an amount of £T39,000,000. Including short term advances to the Treasury (£T4,229,000) total advances to the Treasury as on August 24th 1940 amounted to £T43,229,000 as compared with £T26,722,000 on the 20th July 1940 i.e. an increase of £T16,507,000. In 1939 at the corresponding date advances were £T7,000,000.

(c) Changes in commercial banking interest rates.

No change

2. STOCK EXCHANGE.

(a) General movement of

(i) Share	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1940</u>
Internal loan:				
Loan 1933				102
" 1934		100		100
" (lottery) 1938 (1)	100		100	100
External loan		100		68
Principal industrial shares (tram flour mills, cement, breweries, etc.)	100			27
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			40

(1) has replaced 1918 interior loan

81896-2

	1929	1933	1934	1940
Central Bank of Turkey			100	144
Anatolian Railway Debentures	100			109

(ii) Bond values

Nil

(b) New Capital Issued
(as a whole)

Nil

3. BUDGET

(a) Estimates

Nil

(b) Current figures of revenue
and expenditure

The results for first 11 months of 1939-40 (June 1939 to April 1940) are reported as follows:-

	1939-40	1938-39	Difference
	£T	£T	£T
Ordinary	230,074,977	235,405,169	- 5,330,192
Extraordinary	130,965,927	68,090,391	+ 62,875,536
Other	7,093,727	2,064,126	+ 5,029,601
Treasury Refund	9,865,134	7,640,978	+ 2,224,156
	377,999,765	313,200,664	+ 64,799,101

Ordinary receipts for the period are £T5,330,000 less than those for the period in the year before. The diminution is due to (a) reduced customs Revenue (-£T4,000,000); and (b) reduced transaction tax revenue (-£T4,000,000) for the June 1939-April 1940 period. But this diminution has been made up by increased revenue in other sections.

(c) Supplementary Expenditure

Nil

(d) Issue of Government Bonds
and method of Financing
Deficits

Nil

(e) Year's Accounts

Nil

4. PRICE LEVELS.

Latest published indices. General wholesale and general retail prices; whole-sale prices of import products, export products, agricultural products, industrial products.

1. Cost of Living index: (Basis 100 in 1933)

Year	January	June	July
1940	127.4	133.9	131.1
1939	January-December		121.3
1938	"	"	119.8
1937	"	"	120.3
1936	"	"	116.6
1935	"	"	109.8
1934	"	"	103.8

According to a notice published on July 4th by the Economic Service of the Istanbul Municipality the cost of groceries foodstuffs, etc. this year have risen on average by 20% as compared with last year. Individual increases include:- Butter + 20%; haricot beans + 25%; rice + 12%, olives + 35%.

5. COMMERCIAL PAYMENTS.

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7 (b)) whether delays are due to transfer difficulties or to local business conditions.

Interior. No change from July position. Regular payments mostly cash.

Exterior. Recent events have greatly upset normal payments for imported goods. Credits in Turkey on compensation, for imports, include:-

U.K. £T 542.000

France £T2.101.000

and for Exports:- Interchangeability countries £T1.884.000.

6. EXCHANGE.

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate for diplomatic missions and staffs for telegraphic transfers £1 = 728 ptrs; for notes and cheques £1 = 702. Banks are making a deduction of 5% for insurance and other risks.

- (b) Central Bank's reserve of foreign exchange.

The deficit in foreign exchange in July 1940 amounted to £94,000 which was covered by the Central Bank of Turkey. Since January, i.e. Jan-July 1940, the deficit amounted to £1,280,000 against £1,155,000 for the corresponding period of 1939. Foreign currency at the disposal of the Central Bank of Turkey in U.K., France, Italy, Switzerland, Greece, Eire, Belgium, Japan, arising out of clearing and payments agreements as also of U.S.A. currency arising out of exports sold to U.S.A., are kept in a special account.

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

forbidden.

7. EXCHANGE CONTROL.

- (a) Changes in regulations

Czechoslovakia has been added to the list of countries coming under the revised rules of commercial procedure for countries classified under Art. 2 Decree 2/12669 i.e. the non-interchangeable compensation bases (vide communique dated Aug. 26 1940). The countries which have not made a commercial Treaty or Payments Agreement with Turkey and which consequently come under these revised rules of procedure are Germany, Iran, Spain, Denmark, May 20/40 Holland, Poland (June 8th 1940) and now Czechoslovakia.

- (b) Changes in administrative delays and difficulties.

Nil

81896-2

- (c) Delay in transfer
(i) in General

Delays are long for imports from "clearing" countries except for Italy, Estonia, Yugoslavia, Czechoslovakia, U.S.S.R., Lithuania, and Hungary.

- (ii) for particular trades if they differ from normal

Nil

- (d) Liquidation of arrears, if any to U.K. and other countries.

Liquidation of arrears goes on slowly except for Switzerland. The latter clearing account has been considerably lightened.

8. CLEARINGS.

- (a) New agreements; cancellation or modification of existing agreements.

A commercial agreement has been signed between Turkey and Yugoslavia which inter alia provides for the exchange of 3000 tons Turkish cotton (1939 crop) against U.S.A. \$ 1,300,000. A further 6000 tons cotton is to be bought (by Yugoslavia) of the 1940 crop in exchange for cellulose, horses, rifles (protocol agreement Aug. 2nd 1940). Exchanges by compensation are also provided for.

- (b) Position of liquidation of balances on either side, 10th August 1940.

Germany	"A" A/c	18,140,900	"B" A/c	2,853,100
Belgium		650,100		
Estonia		10,800		
Finland		320,600		
Holland		332,600		
Spain		279,300		
Sweden	"D" A/c	2,351,300	"A" A/c	122,400
Switzerland		125,200		
Poland		418,400		
Latvia		67,000		
Norway		215,700		
Roumania		1,369,700		61,400
U.S.S.R.		58,500		
Yugoslavia		182,000		
Greece		323,100		
Czechoslovakia		9,800		
Italy	"A"		"A" A/c	306,900
			"B" A/c	922,300
Lithuania				1,367,200
Hungary				41,800
				82,700
		£T 24,855,000		£T 5,757,800

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied to Takas Ltd. on 19.8.40 were as under:-

Country	Premium on Imports	Exportation Premium		Percentage of Transaction on which premium is payable 100%
		Spot	Forward	
Countries on an inter-changeable compensation basis Art.4 Decree 2/7005	51	45	44	100
United Kingdom	51	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

81896-2

Export & Import Balances on 8.8.40

Country	Exports	Forward Sales	Imports
	Spot Goods £T	£T	£T
Interchangeable	-	24,734,85	1,884,403.12
United Kingdom	542,689,03	177,127,81	-
France	2,106,965,40	152,998,63	-
Sweden	-	-	79,963.73
Switzerland	-	11,035,28	197,050.20
Holland	5,848,05	4,438,24	-
Belgium	-	50,130,68	62,469.00
	2,655,502,48	420,465,49	2,223,886.05

9. FOREIGN TRADE.

(a) Total import and export figures

Comparative Trade Statistics for the seven months ending July 31st 1940 are as follows:-

	1940		1939	
	Tons	£T	Tons	£T
Import	213,988	44,573,890	396,971	81,430,135
Export	465,301	71,579,560	625,803	65,548,349
	679,289	116,153,450	1,032,774	146,978,484

Turnover diminished in 1940 by:-

353,485 tons volume (-34.2%)
£T30,825,034 value (-21%)

Trade Balance: +£T27,005,670 (1940) - £T15,881,786 (1939)

(b) Important changes in direction

The following figures show the value and percentage of Turkish foreign trade by principal countries during the first seven months of 1940.

	Jan.-July 1940		Jan.-July 1939	
	£T'000s	%	£T'000s	%
Italy	7201	16.16	6207	7.62
U.S.A.	6813	15.28	6835	8.40
Germany	6204	13.92	44,294	54.40
U.K.	6001	13.46	4332	5.32
Roumania	5259	11.80	1409	1.73
France	1754	3.94	1569	1.93
Czechoslovakia	1137	2.55	1419	1.74
U.S.S.R.	811	1.82	2873	3.53

	Jan.-July 1940		Jan.-July 1939	
	£T'000s	%	£T'000s	%
Italy	17385	24.29	8242	12.57
U.S.A.	9851	13.77	3145	4.81
U.K.	8625	12.05	1992	3.04
Germany	5705	7.97	32910	50.22
France	6611	9.24	2631	4.01
Roumania	6854	9.58	1111	1.70
Czechoslovakia	3051	4.26	2699	4.12
Hungary	2182	3.05	379	0.42
Greece	2739	3.84	1144	1.74

(c) General changes in tariff or in import restrictions recent or probable.

A new set of regulations (repeating and amplifying the original set promulgated 10th June 1940) relating to the application of the "Control of Exports by License" (Decree 2/13477) was promulgated on August 9th 1940 in the Official Journal No. 4583.

81896-2

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

1. By decision 49 of the Economic Coordination Council (17.8.40) extra hours at the rate of 3 per day will be worked in eight factories producing for the Ministry of National Defence.

2. Best terms for U.K. Shippers:

The regular flow of imports from U.K. has been hindered by (a) recent lack of shipping facilities via the Mediterranean; (b) necessity of using the routes with a long detour via the Cape and Suez with transshipment from Alexandria; and (c) by the demand of U.K. firms for the opening of credits in London to prepay c.i.f. charges as well as the cost of invoices. In most cases Turkish importers will not open any credits in London at the most they only wish to open credit for f.o.b. values. The Turkish authorities will not authorize the export of free exchange to meet c.i.f. charges until British goods actually reach Turkey (vide Trade Agreement). Sales on "cash against documents" terms however when they can be effected, offer no risks of abnormal delays in payment. The United Kingdom Commercial Corporation is cooperating in the removal of these financial difficulties, and is also stimulating the development of shipments from overseas territories to Turkey via the Basra route.

3. The Turkish Government has announced its intention of purchasing the 1940 crops of olive oil, cotton wool, mohair wheat, barley, oats and opium. Prices will be State controlled over a period in order to improve sales. Bulk barter deals are to be arranged to promote sales abroad of exportable surpluses at the highest prices and for best returns.

4. Full particulars regarding 1940 crop estimates and probable exportable surpluses have been telegraphed to M.E.W., London.

5. The partial failure of cereal crops in some Balkan countries will enhance the sales prospects of Turkey's exportable surpluses which are particularly heavy this year compared with previous years. The Minister of Commerce recently announced at the opening of the Smyrna Fair that an export of existing stocks of cotton of the 1939 crop would liquidate Turkey's trading debts (a) in respect of U.S.A. \$ 3,458,000 and (b) £1,879,000 for interchangeable compensation trade debts. He added:- (i) A surplus of £2,716,000 has resulted from compensation trading with U.K. and France alone. (ii) It is hoped that by the end of 1940 Turkey will be in a position to settle day by day all liabilities for imports in foreign exchange; and (iii) that in 1941 a large reserve of foreign currency will have been secured as a result of trading during the coming export season.

6. The commercial exchange agreement with Germany for £21,000,000 referred to in the previous report really represents a sum of approximately £32,000,000 by the inclusion in an additional protocol of £6,000,000 blocked German credits in Turkey and the fact that c.i.f. charges will be liquidated by the purchase of goods. The Germans are also planning to buy a large proportion of the surplus crops this year. The U.K.C.C. however is planning counter measures.

7. Negotiations are proceeding with Hungary for the exchange of Turkish products for industrial goods of all kinds under a special agreement.

8. A Bulgarian Mission is in Ankara to draft a new trade and commercial agreement with Turkey.

9. The Turkish Ministry of Commerce has re-organized all export and import Unions. Since August 9th they are concentrated under one General Secretariat whose controller is the controller of Takas Ltd. State Control (Ministry of Commerce) will also be exercised over the sale of products produced by local industries and sold locally.

10. Shipping communications between Turkey and Greece and Palestine, Egypt and U.S.A. have been resumed on a limited scale.

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TURKEY

MONTHLY REPORT ON ECONOMIC CONDITIONS

FOR JULY 1940

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No change

Commercial Bills discounted:-

July 25 1940	£T260,000,000
June 25 1940	252,000,000
July 25 1939	128,500,000

<u>Note Circulation</u>	<u>20-7-1940</u>	<u>25-6-1940</u>	<u>25-7-1939</u>
Old issue	139.438.000	139.438.000	141.520.000
Supplementary to old issue and covered by gold	17.000.000	17.000.000	19.000.000
Supplementary to old issue and covered by commercial bills	200.500.000	195.500.000	69.000.000
	<u>356.938.000</u>	<u>351.938.000</u>	<u>229.520.000</u>

(b) RESTRICTION OR EXPANSION
OF COMMERCIAL CREDIT

1. Credit facilities were increased for the needs of the Treasury and the local Banks.

On July 3rd approval was given by shareholders to the modification of the statutes of the Central Bank of Turkey to permit the Bank:

- a. to issue currency against the State's gold deposit of £15,000,000 (under Law 3850 for the extension of Credit up to £T250,000,000 to the Ministry of Finance);
- b. to deal in foreign exchanges; and
- c. to issue new currency notes against such security - the profits and losses of such transactions to be for account of the Treasury. (see O.T. "B" 302/40 of July 10th 1940)

2. The Central Bank of Turkey on July 20 had kgs.36715.458 gold valued at £T51,643,228.22 deposited as security for advances to the Treasury under Law 3850 (see b. above). The account Advances to Treasury rose from £T8,547,000 to £T26,722,000 which indicates that the Treasury has drawn £T18,000,000 against these credits.

(c) CHANGES IN COMMERCIAL BANKING INTEREST RATES

No change

81324-1

1

2. STOCK EXCHANGE

(a) General Movement of

	1929	1933	1934	1940
(i) Shares				
Internal loan:				
Loan 1933		100		102
" 1934			100	100
" (lottery) 1938 (1)	100			100
External loan		100		66
Principal industrial shares (tram, flour mills, cement, breweries, etc.)	100			26
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			40
Central Bank of Turkey			100	145
Anatolian Railway Debentures	100			105

(1) has replaced 1918 Interior loan

(ii) bond values

nil

(b) New Capital Issues (as a whole)

nil

3. BUDGET

(a) Estimates

nil

(b) Current figures of revenue and expenditure

The results for the first 9 months of the year 1939-40 (June 1939-March 1940) are reported as follows:-

	1939-40	1938-39	Difference
	£T	£T	£T
Ordinary	213.339.562	217.622.843	- 4.283.281
Extraordinary	129.125.466	67.197.192	+ 61.928.274
Other	6.992.387	1.966.207	+ 5.026.180
Treasury Refund	9.725.360	7.620.278	+ 2.105.082
	<u>359.182.775</u>	<u>294.406.520</u>	<u>+ 64.776.255</u>

Ordinary receipts for first 10 months of the year 1939-40 are £T4,283,000 lower than in the same period last year. This is due to loss of customs' revenue which has dropped by £T12,800,000 for the period June 1939 to March 1940. It has however been compensated by increased revenue under other headings.

(c) SUPPLEMENTARY EXPENDITURE

A new credit of £T65,015,534 for the Ministry of National Defence was voted on the 25th July

(d) ISSUE OF GOVERNMENT BONDS AND METHOD OF FINANCING DEFICITS

Nil

81324-1

2

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6

(e) YEAR'S ACCOUNTS

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products agricultural products, industrial products.

1. Cost of living index:

Year	Basis 100 in 1933		
	January	May	June
1940	124.7	138	133.9
1939	January-December		121.3
1938	"	"	119.8
1937	"	"	120.3
1936	"	"	116.6
1935	"	"	109.8
1934	"	"	103.8

2. Export price levels which had sagged in June rose sharply as a result of the Turco-German Agreement signed on July 25th.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable (b) import trade so as to show (with 7(b)) whether delays are due to transfer difficulties or to local business conditions.

Interior. No change. Payments regular and chiefly "cash".

Exterior. Recent events have greatly disturbed settlements for imports.

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Favourable rate for Diplomatic Missions and Staffs £1 = 728 ptrs; but Banks are deduction 5% for insurance and other risks.

The Turkish Minister of Finance has published in the "Economiste d'Orient" of 25th July the following official list of "average exchange rates" which will remain in force until Jan. 1st 1941". He added that average exchange rates for roubles, Reich marks, zlotys and Czech crowns will be fixed later.

	Ptrs.
£ sterling	523
1 dollar	141.99
100 French francs	295.05
100 Lires	734
1 Swiss franc	29, 86, 35
1 florin	72, 70, 05
100 Belgas	2015.30
100 drachmas	97.05
100 levas	173.10
100 pengos	2574.35
100 leis	71.25
100 dinars	337.10
100 yen	3387.35
100 Swedish crowns	3096.05

- (b) Central Bank's reserve of foreign exchange.

The deficit of currency in June 1940 amounted to £184,000. This was covered by the Central Bank. Exchange at the disposal of the Central Bank of Turkey in U.K., France, Italy, Switzerland, Sweden, Greece, Ireland, Belgium, Japan in connection with clearing and compensation agreements, and of currency arising out of exports to U.S.A. are kept in a special account.

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

forbidden

7. EXCHANGE CONTROL

- (a) Changes in regulations.

Holland, Belgium and Poland have been added to the list of countries coming under the revised rules of commercial procedure for countries classified under Art.2 Decree 2/12669 i.e. the non-interchangeable compensation regime basis. On the other hand the Dutch Colonial Territories will continue to trade with Turkey on the interchangeable compensation basis so long as Turkish exports to those territories are paid for in free currency. (Ref.O.T."B" 286/40 of June 25th and O.T."B" 314/40 of July 31st).

- (b) Changes in administrative delays and difficulties.

no change.

- (c) Delay in transfer
(i) in general

Rather long for countries under clearing arrangements except for Italy, Estonia, Yugoslavia, Czecho-slovakia, U.S.S.R. and Lithuania.

- (ii) for particular trades, if they differ, from normal

Nil

- (d) Liquidation of arrears, if any to U.K. and other countries.

Liquidation of arrears goes very slowly except for Switzerland where the clearing account has been eased.

8. CLEARINGS

- (a) New agreements; cancellation or modification of existing agreements.

An agreement was made (July 25th) with Roumania for the exchange of 44,000 tons petroleum and oil against 3150 tons of wool and 1650 tons mohair from Turkey (see Embassy despatch 419 E of 2nd August 1940).

(see 9 (d) for particulars of Turco-German Agreement for £21,000,000 signed July 25th 1940).

(b) Position of liquidation of balances on either side, 20th July 1940.

		DEBITS	CREDITS	
Germany	"A" A/c	17,475,900	"B" A/c	2,512,500
Belgium		630,300		
Estonia		5,000		
Finland		383,700		
Holland		398,000		
Spain		279,300		
Sweden	"D" A/c	2,351,200	"A" A/c	124,800
Switzerland		126,300		
Poland		416,500		
Latvia		70,300		
Hungary		708,900		
Norway		215,700		
Roumania		2,409,600		75,300
Yugoslavia		189,400		
Greece		285,400		
Czechoslovakia	"A" A/c	9,800	"B" A/c	355,000
Estonia				5,000
Italy			"A" A/c	1,738,300
			"B" A/c	1,397,200
Lithuania				18,700
U.S.S.R.				55,700
		£T 25,955,300	£T 6,282,500	

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd.
on 29.7.40 were as under:-

Country	Premium on Imports	Exportation Premium		Percentage of Transaction on which premium is payable 100%
		Spot	Forward	
Countries on an interchangeable compensation basis				
Art.4 Decree 2/7005	51	45	44	100
United Kingdom	51	40	39	100
Belgium	51	40	39	100
Holland	51	40	39	100
Sweden	51	47	46	100
France	51	40	39	100
Switzerland	51	40	39	100

Export and Import Balances on 18.7.1940

Country	Exports		Forward Sales	Imports
	Spot	Goods £T	£T	£T
Interchangeable	-	-	24,734,85	1,970,522,36
U.K.	1,012,029,00	-	212,972,25	-
France	2,126,600,40	-	161,250,38	-
Sweden	-	-	1,237,93	50,133,19
Switzerland	-	-	11,014,03	131,410,90
Holland	5,848,05	-	4,438,24	-
Belgium	-	-	50,130,68	62,469,00
		3,144,477,45	465,778,36	2,214,535,45

9. FOREIGN TRADE

(a) Total import and export figures

Comparative Trade Statistics for the six months ending June 30th are as follows:-

	1940		1939	
	Tons	£T	Tons	£T
Import	187.364	40.609.574	331.562	68.304.806
Export	443.120	66.684.817	542.933	57.499.456
	530.484	107.294.391	874.495	125.804.262

Favourable Balance 1940: + £T26.075.243

Adverse Balance 1939: - £T10.905.350

In 1940 volume diminished by 344.011 tons (-40.5%) and value by £T18,509.871 (-15%)

(b) Import changes in direction.

The following figures show the value and percentage of Turkish foreign trade by principal countries during the first six months of 1940 (see also special report sent in Despatch No. 420 E of 2nd August 1940)

IMPORTS

	Jan-June 1940		Jan-June 1939	
	£T'000s	%	£T'000s	%
Italy	6,723	16.56	5,423	7.94
U.S.A.	6,409	15.78	5,508	8.06
Germany	5,916	14.57	36,411	53.31
U.K.	5,582	13.75	3,997	5.85
Roumania	4,482	11.04	1,188	1.75
France	1,673	4.12	1,167	1.71
Czechoslovakia	993	2.44	1,361	1.99
Brazil	743	1.83	855	1.25
U.S.S.R.	733	1.80	2,550	3.73
Switzerland	630	1.55	326	0.48
India	608	1.50	476	0.71
Egypt	624	1.54	211	0.31

EXPORTS

	Jan.-June 1940		Jan.-June 1939	
	£T'000s	%	£T'000s	%
Italy	17,405	26.02	7,564	13.15
U.S.A.	8,762	13.42	3,014	5.25
U.K.	8,473	12.66	1,794	3.12
France	6,606	9.87	2,469	4.29
Germany	5,146	7.69	28,305	49.23
Roumania	4,938	7.38	1,023	1.78
Czechoslovakia	2,818	4.21	1,993	3.47
Greece	2,605	3.89	1,006	1.76
Hungary	1,764	2.64	112	0.19
Belgium	1,358	2.03	815	1.42
Poland	-	-	1,520	2.65
U.S.S.R.	425	0.64	928	1.62

(c) General changes in tariff or in import restrictions recent or probable.

Nil.

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

- (1) On July 25th was signed the new Turco-German Commercial Exchanges Agreement providing for the import into Turkey of German goods of a

global value of £21,000,000 including (a) machinery, spares, factory and municipal plant and rolling stock (all ordered before the war) to a value of £13,000,000; and (b) general goods to be ordered as required by the Turkish import market valued at £8,000,000. Chemical products, industrial colours, medicals, drugs, etc., will receive priority. Goods to move via the Danube. Germany has permission to buy Turkish products including the following items:-

	£T		£T
Tobacco	7,000,000	Valonea	500,000
Mohair	1,000,000	Valex	500,000
Sultanas	1,000,000	Nuts	1,000,000
Barley	1,090,000	Figs	500,000
Sulphuric Oil	300,000	Hordas	350,000
Pandermite	300,000	Cotton	200,000
Emery	20,000	Opium	300,000
Beeswax	50,000	Millet	500,000
Olive Oil	1,500,000	Skins	1,000,000
Oilseeds	1,500,000	Guts	500,000
Oilcake	500,000	Canary seed	200,000
Beans	250,000	Rags	250,000
Flax	40,000	Silk waste	30,000

- (2) A Turco-Roumanian Commercial Exchange Agreement signed early in July provides for an exchange of 3,150 tons Turkish wool and 1,600 tons mohair against mineral oils, petroleum and benzine (about 44,000 tons).
- (3) According to a statement by the Turkish Ministry of Commerce arrangements are being made to import on a compensation basis petroleum from Iraq; metal and paperware from Finland via Russia; also paperware and cellulose from Czechoslovakia in exchange for Turkish products.
- (4) The deblocking of stocks of Japanese textiles which have accumulated in Turkish Customs Depots over the past two years (value £T400,000) is under consideration.
- (5) The prohibition of export of waste paper and rags has caused large accumulations of these goods. Bulgarian and Hungarian buyers are anxious to acquire these stocks.
- (6) The Minister of Commerce announced on July 20th that the Dried Fruit Exporters Co-operative in Smyrna had closed the season with £T406,000 net profit. The tobacco crop was sold at prices which averaged 80/100 higher than last year, also 14,357 tons were consumed on the local market. This is a record figure which even the old Regie never attained.
- (7) An Agreement has now been reached for the bulk sale of Turkey's 1940 output of chrome for payment in sterling.

(8) Stocks.

Stocks of coffee in the Customs are reported equivalent to normal needs for three months and supplies for two months are also on the market. Tea sufficient for 5 months' requirements is also on the market.

(9) Crops

Forecasts are excellent in general and particularly for cotton and cereals. Harvesting of cereals is being speeded up by the use of American harvesting machinery. It is thought that returns of raisins, figs and olive oil will be less than last year.

TURKEY

MONTHLY REPORT ON ECONOMIC CONDITIONS

M A Y 1 9 4 0

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

No change.

Commercial Bills discounted:--

May 25th 1940	£T 244,000,000
April 25th 1940	242,000,000
May 25th 1939	115,000,000

Note circulation	25-5-40	25-4-40	25-4-39
Old issue	139,869,000	139,868,000	141,697,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	19,000,000
Supplementary to old issue and covered by Commercial Bills	171,000,000	160,000,000	69,000,000
	327,869,000	316,868,000	229,697,000

(b) RESTRICTION OR EXPANSION OF COMMERCIAL CREDIT

Credit facilities were increased for the needs of the Treasury and the local Banks.

(c) CHANGES IN COMMERCIAL BANKING INTEREST RATES

No change.

2. STOCK EXCHANGE

(a) GENERAL MOVEMENT OF

(i) Shares	1929	1933	1934	1940
Internal loan:				
Loan 1933		100		103
" 1934			100	100
" (lottery) 1938 (1)	100			100
External loan:		100		69
Principal industrial shares (tram, flour, mills, cement, breweries, etc.)	100			35
Public utility companies in liquidation (water, tele- phone, Anatolian Railways)	100			38
Central Bank of Turkey			100	150
Obligations chemins de fer Anatolie	100			104

(1) has replaced 1918 Interior loan

(ii) bond values

Nil

(b) NEW CAPITAL ISSUES
(as a whole)

Nil

3. BUDGET

(a) Estimates

Nil

(b) CURRENT FIGURES OF REVENUE & EXPENDITURE

Comparative result for first nine months of the financial year
(June 1939-February 1940) are as follows:-

	1939-40 £T	1938-39 £T	Difference £T
Ordinary	193.973.670	196.719.010	- 2.745.340
Extraordinary	116.899.643	60.903.092	+ 55,996.551
Other	6.721.202	1.675.862	+ 5,045.340
Treasury refund	9.619.375	7.556.473	+ 2.062,902
	327.213.890	266.854.437	+ 60.359.453

According to a recent notice (May 25th) from the Ministry of Finance,
total revenue for the eleven months: June-end of April 1940 amounted to
Ltgs.229.708.441 - which is considered a very satisfactory figure.

(c) SUPPLEMENTARY EXPENDITURE

On May 30th the following supplementary credit was voted: Extra-
ordinary credit: Ltgs.109.922.000 for the 1939/1940 financial year (for
certain Government Departments). e.g. 2/3rds. for the Ministry of
National Defence.

(d) ISSUE OF GOVERNMENT BONDS AND METHOD OF FINANCING DEFICITS

On May 30th the Grand Assembly passed a law authorising the Central
Bank of Turkey to make special advances to the Treasury up to a maximum of
Ltgs.250.000.000 and for the period including one year after the conclusion
of the war, based on the security of the £15,000,000 gold loan made by the
Allies under the agreement of January 8th 1940.

(e) YEAR'S ACCOUNTS

Nil

4. PRICE LEVELS:

Latest published indices. General wholesale and general retail prices;
wholesale prices of import products, export products, agricultural products,
industrial products.

Export price levels were maintained at the high levels reached
in April.

The Ministry of Economy has fixed the average of price indices
for consumption articles, for the month of May 1940 as under:

	1933	Dec.1939	May 1940
Average for Turkey	100	121	137.3

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For clothing, no estimate has been given but the increase is at least 50%.

Traders Unions report the following increase in wholesale prices as compared with prewar (Sept. 1939) prices. Woollen + 50%, silks 15% cotton textiles 15%, footwear 70%.

As from June 1st the official price for coffee is raised by 22 ptrs per kilo. Napthalene prices have advanced from 35 to 50 ptrs per kilo.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable, (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Interior. Position unchanged.

Exterior. Payments for goods imported by compensation trading are very regular where credit balances are available at the Central Bank of Turkey. Settlements in respect of goods from countries under interchangeable compensation arrangements however are subject to several months' delay. Delays are noticeable in respect of goods imported under clearing arrangements e.g. Turkish merchants have credits amounting to about £T3,000,000 due from Italy and have consequently restricted shipments. The credits in respect of Czechoslovakian Clearing are also exhausted. Credits in Turkey on compensation trading with U.K. and France for imports are:

U.K. £T2,146,000
France £T2,057,000

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

The Central Bank's favourable rate for cheques and bills of diplomatic missions and staffs £1 = 728 ptrs.

N.B. The price for the Turkish gold lira rose to 2400 ptrs May 25th

(b) Central Bank's reserve of foreign exchange

Exchange deficit in April 1940: £324,000
This was absorbed by the Central Bank of Turkey
(Deficit in April 1939 amounted to £218,000)
Special accounts are kept at the Central Bank
in respect of free exchange credits arising out
of clearing and compensation agreements with
U.K., France, Italy, Switzerland, Sweden, Greece,
Ireland, Belgium, Japan and U.S.A.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange

Forbidden

(d) Terms for U.K. traders.

At this date goods cannot be withdrawn from Turkish customs before the value of the invoice has been paid to Turkish Central Bank and compensation premium to Takas Ltd. Provided therefore that the Anglo-Turkish Clearing (Compensation) account in London is solvent U.K. manufacturers selling on "Cash against documents Istanbul" terms run no risks of abnormal delays in payment. This practice is therefore recommended.

7. EXCHANGE CONTROL

(a) Changes in regulations

Instructions were issued by Circular Notice dated 29th April from Ministry of Finance as to procedure for assessment and collection of premiums due in respect of freight, f.o.b./c.i.f. differences, film licenses, patent rights, commissions, legal payments etc. made in free exchange with reference to article 5 of decree 2/12959 sanctioning this new levy, as from May 1st 1940.

Compensation trading has been authorized through Takas Ltd. with Germany, Iran, Denmark and Spain, these countries having neither compensation nor commercial trading agreements with Turkey (communique Ministry of Finance May 27th).

As from June 1st Takas Ltd. have been authorized to resume the sale of compensation exchange permits in respect of goods from countries under the interchangeable compensation regime. This had been in abeyance for sometime. Two lists have been made to distinguish priorities viz:-

List "A" hides, merinos, jute, mineral oil residues,
rubber, copra, cork, iron-bedsteads,

List "B" tea, coffee, porcelain teeth, pepper, cocoa,
spices, yarn for nets, quinine cloves, insecticides
and gums (laque & arabic) exchange permits are more
rapidly granted for goods on List "A".

(b) Changes in administrative delays and difficulties.

No change.

(c) Delay in transfer

(i) in general

No change. Delays are rather long in connection with payments for goods from countries with clearing arrangements except Italy, Esthonia, Yugoslavia, Latvia, U.S.S.R. and Lithuania.

(ii) for particular trades if they differ from normal.

No change.

(d) Liquidation of arrears, if any to U.K. and other countries.

No change. Liquidation of arrears is very slow except for Switzerland whose clearing account has been considerably lightened.

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements.

A new Commercial Trading & Payments Agreement with Switzerland was signed on 30th May, 1940

The Commercial Agreement with Belgium dated 1934 (Aug.) was cancelled as from June 1st 1940

Negotiations for commercial trading are proceeding normally with U.S.S.R. which country wishes to exchange manufactured goods against wool.

A new Treaty of Commerce is being negotiated with Yugoslavia.

CLEARINGS (Contd.)

(b) Position of liquidation of balances on either side, 18th May 1940.

	DEBITS	CREDITS
Germany "A" A/c	14,323,700	"A" A/c 2,934,100
Belgium	639,900	
Estonia	9,100	
Finland	712,700	
Holland	385,100	
Spain	279,300	
Sweden "D" A/c	2,471,700	"A" A/c 150,500
Switzerland	128,700	
Poland	415,600	
Latvia	43,100	
Hungary	824,500	
Norway	216,800	
Roumania	2,403,100	99,400
U.S.S.R.	89,600	
Yugoslavia	75,400	
Greece	574,100	
Czechoslovakia "A" A/c	13,000	"B" A/c 584,500
Lithuania		70,800
Italy		3,002,800
	23,605,400	6,842,100

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. in the month of May were as under:-

	Importation 100%	Exportation Cash or im- mediate shipt.	Delayed Shipments
* Countries on an interchangeable compensation basis			
Art.4 Decree 2/7005	56	45	44 100%
* United Kingdom	56	40	39 100%
Belgium	51	40	39 100%
Holland	51	40	39 100%
Sweden	51	47	46 100%
* France	56	40	39 100%
Switzerland	51	40	39 100%

* As from June 1st reduced from 56 to 51%

Export & Import Balances on 16.5.40

Country	Exports Spot Goods £T	Forward Sales £T	Imports £T
Interchangeable	-	17,253,42	1,920,705,48
U.K.	2,146,604,51	313,330,19	-
France	2,057,160,30	242,644,36	-
Sweden	-	-	11,298,96
Switzerland	-	37,010,60	5,948,10
Holland	14,221,67	4,691,93	-
Belgium	-	69,810,02	14,489,10
	4,217,986,48	684,740,52	1,952,441,64

9. FOREIGN TRADE

(a) Total import and export figures.

	April 1940 £T	April 1939 £T	Difference £T
Imports	6,741.258	9,856.852	- 3,115.594
Exports	10,037.421	9,227.147	+ 810.274
Balance	+ 3,296.163	- 629.705	+ 2,666.458

(b) Important changes in direction.

The following figures show the value and percentage of Turkish foreign trade by Principal countries during the month of March 1940.

	1940 IMPORTS £T'000s	Percent- age	1940 EXPORTS £T'000s	Percent- age
Germany	1,600	21.58	1,903	11.56
Italy	1,499	20.22	3,998	24.28
U.K.	894	12.05	2,147	13.05
Roumania	587	7.91	1,243	7.55
U.S.A.	466	6.29	2,346	14.25
Czechoslovakia	255	3.43	875	5.31
Brazil	230	3.10	-	-
France	185	2.50	1,660	10.08
Switzerland	120	1.62	-	-
Russia	138	1.85	-	-
Hungary	-	-	643	3.91
Br. India	156	2.11	-	-

(c) General changes in tariff or in import restrictions recent or probable.

The further export of oats and barley was prohibited for national defence reasons on May 31st. Surplus stocks are to be purchased by the Government at controlled regional prices.

Decree 2/13355 of 20/4/40 permits the monthly export of 2 kgs. soap per head to Turkish students in Germany.

(d) Any factor largely affecting demand for imports supplies available for export, or foreign demand for exports.

1. Trading with Italy has considerably slackened of late owing to the excess balance of £T3,000,000 in the clearing in favour of Turkey. Exports of specified products however are allowed where quotas have been filled already against payment in free exchange.

2. Trading with Germany is likely to become much more active as a result of the new trading arrangements reported under 7a (ii) above. Negotiations are proceeding for a new exchange of goods valued at £T20-30,000,000.

3. Recent supplies of iron bars, sheets, etc. from U.S.A. have relieved the acute shortage of metallurgical products on this market. The agricultural machinery ordered a few months ago valued at 2½ million Turkish pounds has also reached Turkey in time for use in this year's harvesting operations.

4. Advance reports regarding early cereal crops in the Adana region are favourable.

5. The further reduction of the Takas rate from 56 to 51% in respect of goods from U.K. will be welcomed by U.K. shippers.

6. Decision No.25 of the Economic Council permits supplementary hours of work and cancellation of weekly rest day in all yarn and textile factories and other Government industries (May 30).

TURKEY
MONTHLY REPORT ON ECONOMIC CONDITIONS
A P R I L 1 9 4 0

1. GENERAL CREDIT POSITION.

(a) Central Bank Policy

No change.

Commercial Bills discounted:-

April 27th 1940	LT242,000,000
April 29th 1939	116,500,000
March 23rd 1940	236,000,000

Note circulation	27-4-1940	23-3-40	29-4-39
Old issue	140,000,000	140,542,000	142,270,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	19,000,000
Supplementary to old issue & covered by Commercial Bills	160,000,000	153,500,000	75,000,000
	<u>317,000,000</u>	<u>311,042,000</u>	<u>236,270,000</u>

(b) RESTRICTION OR EXPANSION OF COMMERCIAL CREDIT

Credit facilities were increased for the needs of the Treasury and the local banks.

(c) CHANGES IN COMMERCIAL BANKING INTEREST RATES

No change

2. STOCK EXCHANGE.

(a) GENERAL MOVEMENT OF

(i) Shares	1929	1933	1934	1940
Internal loan:				
Loan 1933		100		104
" 1934			100	102
" (lottery) 1938 (1)	100			100
External loan		100		70
Principal industrial				
shales (tram, flour, mills, cement, breweries, etc.)	100			36
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			40
Central Bank of Turkey			100	152
Obligations chemins de fer Anatolie	100			107

(1) has replaced 1918 Interior loan

(ii) bond values

Nil

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(b) NEW CAPITAL ISSUES
(as a whole)

Nil

3. BUDGET

(a) Estimates

Nil

(b) CURRENT FIGURES OF
REVENUE & EXPENDITURE

Comparative results for first eight months of the financial year
(June 1939-Jan.1940) are as follows:-

	1939-40 £T	1938-39 £T		Difference £T
Ordinary	176.490.071	182.091.891	-	5.601.820
Extraordinary	98.599.221	60.713.995	+	37.885.226
Other	6.536.241	1.379.001	+	5.157.240
Treasury refund	9.479.889	7.144.730	+	2.335.159
	<u>291.105.422</u>	<u>251.329.617</u>	+	<u>39.975.805</u>

(c) SUPPLEMENTARY
EXPENDITURE

The following supplementary credits were voted in April

National Defence	£T	9.100.000
Police		400.000
Public Works (for military services)		1.500.000

(d) ISSUE OF GOVERNMENT BONDS
AND METHOD OF FINANCING
DEFICITS

Nil

(e) YEAR'S ACCOUNTS

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

Export prices remained at the high level of March. Minimum export prices for mohair and wool were fixed by the Government Decree. The Government is instituting special enquiries to ascertain the cause of the exorbitant price increases on the Istanbul market for many commodities and manufactured imported goods. Any speculative increases will be repressed.

Speculative increases averaging 10 ptrs per kilo in respect of beans, peas, meat, butter, lentils, etc. were denounced by the Mayor of Istanbul in April.

The latest wholesale price indices published by the Istanbul Chamber of Commerce are as under:-

	D e c e m b e r	
	1938	1939
Import Group (11 Articles)	91	103.7
Export Group (24 Articles)	92.6	113.8
Local consumption (17 items)	100.2	110.5
General index (52 items)	94.8	110.4
(1927 = 100)		

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable, (b) import trade so as to show (with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Interior. Unchanged since March

Exterior. The same remarks apply as for March

6. EXCHANGE

(a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Central Bank's favourable rate for cheques and bills of diplomatic missions and staffs £1 = 728 ptrs.

(b) Central Bank's reserve of foreign exchange.

Deficit in March £142,000 (sterling) as compared with deficit in March 1939 of £74,000. This was made good by the Central Bank. Free exchange at the disposal of the Central Bank of Turkey in U.K., France, Italy, Switzerland, Sweden, Greece, Ireland, Belgium, Japan, in connection with Clearing compensation arrangements as also the exchange arising out of export sales to U.S.A. are kept in a special account.

(c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden

(d) To what extent are Turkish Banks permitted to open credits in London on behalf of importers and how far banks are doing so.

The same remarks apply as in March report. "Cash against documents" is the best security and method of payment recommended.

7. EXCHANGE CONTROL

(a) Changes in regulations.

Takas Ltd. are now demanding payment of a premium of 41% of insurance and freight charges on invoice values before granting permits for payment of these. Commissions due to agents will also be subject to premium charges.

(b) Changes in administrative delays and difficulties.

No change.

(c) Delay in transfer
(i) in general

As for March

(ii) for particular trades if they differ from normal

A further delay has been granted by Government to permit Insurance Companies to import shares or currency representing reserves placed abroad by such concerns. This delay is granted on account of exchange difficulties and hindrances to transfer in those countries where the Head Offices are situated.

(d) Liquidation of arrears, if any to U.K. and other countries.

Same remarks as for March

Settlements in connection with goods from U.S.A. are the only ones paid in free exchange. There is however a long delay. The last payment made was in respect of American goods imported into Turkey in July 1939.

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements.

The Clearing Accounts with U.K. and France have disappeared as a result of the recently concluded financial agreements with those countries. Payments are now made under compensation arrangements. At the present time important credits are available for the settlement of debts in connection with imports from France and U.K.

(b) Position of liquidation of balances on either side, 27th April 1940.

		DEBTS	CREDITS
Germany	"A" A/C	14,764,400	"B" A/C 2,568,300
Belgium		631,800	
Finland		716,300	
Holland		369,000	
Spain		279,300	
Sweden	"D" A/c	2,488,600	"A" A/c 151,800
Switzerland		144,200	
Poland		430,500	
Hungary		759,400	
Norway		212,800	
Roumania		2,352,600	156,700
U.S.S.R.		70,300	
Yugoslavia		37,300	
Greece		523,100	
Czechoslovakia	"A" A/c	13,300	"B" A/c 681,700
Estonia			8,800
Italy			"A" A/c 1,683,500
			"B" A/c 595,700
Latvia			46,900
Lithuania			81,200
£T		23,792,900	£T 5,974,600

(c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. in the month of April were as under:-

	Importation 100%	Exportation Cash or im- mediate shipt	Delayed Shipments
Countries on an interchangeable compensation basis			
Art.4 Decree 2/7005	56	45	44
United Kingdom	56	40	39
Belgium	70	47	46
Holland	66	41	40
Sweden	53	50	48
France	56	40	39
Switzerland	70	40	39

Export & Import Balances on 25.4.40

Country	Exports Spot Goods £.T.	Forward Sales £.T.	Imports £.T.
Interchangeable	-	9.669.78	1.925.871,96
U.K.	1.923.820,35	292.994,19	-
France	1.990.836,96	2 09.037,07	-
Sweden	4,774,67	7.267,99	-
Switzerland	23,770,42	100.349,66	-
Holland	24,935,16	2,278,74	-
Belgium	-	183,729,37	199.105,67
	<u>3.968.137,56</u>	<u>805.326,80</u>	<u>2.124.977,63</u>

9. FOREIGN TRADE

(a) Total import and export figures.

	February 1939 £.T.	February £T 1940
Imports	8.937.972	5.533.688
Exports	<u>8.963.001</u>	<u>11.430.867</u>
Balance	<u>+ 25.029</u>	<u>+ 5.897.179</u>

(b) Import changes in direction

The following figures show the value and percentage of Turkish foreign trade by Principal countries during the month of February 1940.

	1940 IMPORTS	Percentage	1940 EXPORTS	Percentage
U.K.	655.638	11.85	1.221.198	10.68
France	146.400	2.65	1.315.421	11.51
Italy	944.036	17.06	3.798.991	33.23
Roumania	541.226	9.78	1.815.335	15.88
Czechoslovakia	171.526	3.10	833.963	7.30
U.S.A.	891.262	16.11	406.183	3.55
Belgium	47.306	0.85	336.395	2.94
Germany	765.536	13.83	349.181	3.05
Holland	160.607	2.90	65.225	0.57

(c) General changes in tariff or in import restrictions recent or probable.

Nil.

(d) Any factor largely affecting demand for imports supplies available for export, or foreign demand for exports.

1. Government decreed a return of stocks of constructional iron in the chief cities to enable the Authorities to assure adequate supplies for public works estimated returns are for: 7-12,000 tons.
2. Collections of scrap iron have been decreed with a view to bartering this abroad for iron and steel for Karabuk steelworks. Estimated weight returns of 100,000 tons (exaggerated). Karabuk iron and steel works are now turning out constructional steel.
3. Sumer Bank has been charged with task of re-starting the leather and tanning factory at Yalvac with fresh capital amounting to £150,000.
4. During first three months 1940 imports of yarns have diminished by a monthly average of 600 tons. Local production however has been increased in the same period at the rate of 400 tons per month. (2.8 against 2.4 million kgs).
5. Sumer Bank has been charged with task of extending plant to increase output locally of sewing cottons. A capital of £600,000 has been sanctioned for this purpose.
6. Freight rates for coal between coastal ports have been fixed and special measures have been taken by Eti Bank to build up in Istanbul sufficient stocks of coal and coke from Zonguldak for next winter's requirements. Stocks are to amount to 60,000 tons.
7. Nine tank barges have been purchased for storage of Government emergency Petroleum supplies in Istanbul.
8. A number of Import Unions have been formed on a standard model in respect of hides and skins, coffee, tea, jute, sacks, iron goods, textiles, paper, glass, industrial colours, chemical products for agriculture.
9. Owing to inability of U.K. firms to satisfy urgent requirements Turkish Agricultural Mission in U.K. large orders for tractors, threshers, harvesters valued at £12,500,000 have been placed in U.S.A. for immediate delivery. Only small orders for 6 tractors 20 threshers and industrial chemicals. (£100,000) have been placed in U.K.
10. Oil has been found at Ramandagh near Bismil in Eastern Anatolia. New borings are being sunk to ascertain extent of under surface reserves. 30 tons a day is now being brought up.
11. Trade with the Scandinavian countries, as also with Holland and Belgium has practically ceased. U.K. has been receiving orders for tinplates which previously went to U.S.A.
12. A Turkish Commercial Mission is now in Roumania to clear up difficulties in connection with the Turco-Roumanian payment agreement. Fluctuation in the Lei/Lira exchange value are causing difficulties. Turkey also is in need of saw dust from Roumania for packing eggs for export.
13. Research work to strengthen the fibre of silk and art silk yarn locally produced in order to make Turkey self sufficient in stockings is proceeding. Only standard types are to be made.
14. Hungary and Italy are demanding cotton in exchange for their goods. This is hindering Turkish export trade and slowing up imports from those countries.

15. 8,000 tons wheat were sold on April 30th to Greece for £T412,000 by the Office des Produits du Sol. 25% payment in free exchange.
16. Export market for guts is stagnant. Stocks have risen and price has fallen from 40-45 to 22-25 ptrs U.S.A. chief outlet, now buys from Syria, Palestine and Egypt where the increased purchasing power of the dollar is more noticeable than in Turkey.
17. U.K. has recently become a heavy buyer of Turkish eggs. Ministry of Food wants 50/60,000 cases at 31 £T per case (inclusive premium) but current supplies only amount to 10,000 cases. Shipments move via Marseilles.
18. Japan is replacing Germany on this market for toys, glassbeads, etc. Turkey is selling mercury and salt in exchange.
19. Local production of cement is to be increased to 600,000 tons a year. New plant is to be bought in U.K. for £500,000 if U.K. firms can supply.
20. Negotiations with U.K. shipbuilding firm for 11 vessels have been suspended owing to difficulties regarding price variation clause.

TURKEY

Monthly Report on Economic Conditions for March 1940

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Unchanged

Commercial Bills discounted:-

March 23rd 1940	£T235,870,000
March 25th 1939	100,000,000
February 24th 1940	226,824,000

<u>Note circulation</u>	<u>23-3-1940</u>	<u>24-2-1940</u>	<u>25-3-1939</u>
Old issue	140,542,000	140,542,000	143,350,000
Supplementary to old issue and covered by gold	17,000,000	17,000,000	19,000,000
Supplementary to old issue covered by Commercial Bills	153,500,000	144,500,000	50,000,000
	311,042,000	302,042,000	211,350,000

(b) Restriction or Expansion of Commercial Credit

Credit facilities were increased for the needs of the Treasury and local banks.

(c) Changes in Commercial Banking Interest Rates

No change

2. STOCK EXCHANGE

(a) General Movement of

<u>(i) Share</u>	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>1940</u>
Internal loan:				
Loan 1933		100		103
" 1934			100	102
" (lottery) 1938 +	100			101
External loan		100		71
Principal industrial shares (tram, flour, mills, cement, breweries, etc.).	100			27
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			40
Central Bank of Turkey			100	157
Obligations chemins de fer Anatolie	100			110

+ has replaced 1918 Interior loan

(ii) bond values

Nil.

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(b) New Capital Issues
(as a whole)

Nil

3. BUDGET

(a) Estimates

Nil

(b) Current Figures of Revenue & Expenditure

Comparative results for the seven months of the financial year 1939-1940 (June-December 1939) are as follows:-

	1939-1940 £T	1938-1939 £T	Difference £T
Ordinary	159.119.701	163.068.840	- 3.949.139
Extraordinary	84.390.734	56.231.598	+ 28.159.136
Other	1.783.711	5.920.000	+ 9.541.807
Treasury Refund	13.678.096		
	<u>258.972.242</u>	<u>225.220.438</u>	<u>+ 33.751.804</u>

(c) Supplementary Expenditure

Nil

(d) Issue of Government Bonds and Method of Financing Deficits

Nil

(e) Years Accounts

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products, export products, agricultural products, industrial products.

The Istanbul Chamber of Commerce and Industry has published no figures since the month of November 1939.

By special Decree the price of sugar was raised 10 ptrs a kg. i.e. 33½%

The wholesale price levels for export in March 1940 advanced by a few points above those of February which were already very high.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection of commercial accounts in (a) inland trade, with reference to particular trades where desirable, (b) import trade so as to show with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Internal Situation in March 1940 as for February i.e. payments generally regular.

External Payments for goods imported on a compensation basis are very regular on account of the deposits available at the Central Bank in respect of corresponding exports. On the other hand payments through clearing are delayed. The Italian clearing reveals a new position i.e. Turkish merchants are the chief creditors. Consequently Turkish exports to Italy are slackening. The same position obtains as regards the Czechoslovak Clearing. No Turkish shipments are being made because no further Czechoslovak credits are available.

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Central Banks favourable rate for cheques and Bills of Diplomatic Missions and Staffs has been further reduced to £1 - 728 piastres.

- (b) Central Bank's reserve of foreign exchange

On the free exchange market the deficit in February 1940 amounted to £84,000 against a deficit in February 1939 of £74,000. This was made up by the Central Bank of Turkey. Free exchange at the disposal of the Bank of Turkey in England, France, Switzerland, Sweden, Greece, Ireland, Belgium, Japan in connection with clearing compensation arrangements, as also the exchange arising out of export sales to U.S.A. are kept in a special account.

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden

- (d) To what extent are Turkish Banks permitted to open credits in London on behalf of importers and how far banks are doing so.

The only bank with sterling is the Ottoman Bank who open a limited number of irrevocable or confirmed credits in London in special cases only. Other commercial banks have no sterling or foreign exchange resources available in London and therefore cannot open credits.

7. EXCHANGE CONTROL

- (a) Changes in regulations.

No change

- (b) Changes in administrative delays and difficulties

No change

- (c) Delay in transfer
(i) in general

Rather long for payments of goods from countries with a clearing agreement except in respect of Italy Estonia, Yugoslavia, Latvia, Lithuania and U.S.S.R.

76339-1

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(ii) for particular trades if they differ from normal.

(a) Liquidation of arrears if any to U.K. and other countries.

Liquidation of arrears is very slow except for Switzerland and Hungary Clearing Accounts which have been considerably lightened. Assets for Czechoslovakia clearing have been exhausted and as regards the Italian clearing the balance is in favour of Turkey.

8. CLEARINGS

(a) New agreements; cancellation or modification of existing agreements.

By Decree 2/13055 instructions were promulgated on 11th March by which the right of countries which do not offer free exchange in payment of Turkish exports to trade on a basis of interchangeable compensation was cancelled. Further exports to such countries is made subject to special license. Countries which have no clearing or payment agreement with Turkey may export to Turkey all kinds of goods, not subject to special import prohibitions. List 2 of Decree 2/7005 is abolished in so far as those countries are concerned.

The Turco-Swiss Agreement expiring March 31st was promulgated one month to permit finalisation of a new Agreement.

The Turco-Dutch Agreement is prolonged until May 1st 1940. Negotiations for renewal are in progress.

A new Turco-Greek Clearing Agreement was signed 11/3 it came into force 20/3 and is valid for one year.

(b) Liquidation of balances on either side, as on March 23/40

DEBTS			CREDITS	
Germany	'A' A/c	15.449.100	'B' a/c	1.688.100
Belgium		602.600		
Finland		727.000		
France		1.242.800		
Holland		350.200		
U.K.		7.782.500		
Spain		279.300		
Sweden	'D'	2.509.300	'A' A/c	154.100
Switzerland		157.100		
Poland		436.900		
Hungary		781.600		
Norway		225.200		
Roumania		1.435.900		271.100
U.S.S.R.		94.100		
Greece		647.700		
Czechoslovakia	'A' A/c	13.300	'B' A/c	104.100
Estonia				19.600
Italy			'A' A/c	590.500
			'B' A/c	495.100
Lithuania				39.900
Yugoslavia				131.800
Latvia				69.500
	£T	32.734.600	£T	3.563,800

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- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. in the month of March were as under:-

	Importation 100%	Exportation Cash or im- mediate shipt.	Delayed shipments	
Countries on an interchange-able compensa-tion basis Art. 4 Decree 2/7005	56	45	44	100%
United Kingdom (as from March 18)	56	40	39	"
Belgium	70	47	46	"
Holland	66	41	40	"
Sweden	53	50	48	"
France	56	42	41	"
Switzerland	70	40	39	"

Export & Import Balances on 21.3.40

Country	Exports Spot Goods £.T.	Forward Sales £.T.	Imports £.T.
Interchangeable	-	36.442,28	368.996,54
U.K.	2.251.494,61	166.412,83	-
France	1.496.486,30	288.893,28	-
Sweden	68.801,68	-	-
Switzerland	132.678,49	78.818,46	-
Holland	10.721,37	4.081,42	-
Belgium	-	157.629,37	5.015,80

9. FOREIGN TRADE

- (a) Total import and export figures

	January 1939 £T	January 1940 £T
Imports	9.095.696	5.010.560
Exports	11.725.030	10.807.652
Balance	+ 2.629.334	+ 5.797.092

- (b) Import changes in direction

The following figures show the value and percentage of Turkish foreign trade by Principal Countries during the month of January 1940.

	1940 Imports	Percentage	1940 Exports	Percentage
Germany	2.011.280	40.14	180.158	1.67
Italy	741.433	14.80	2.894.752	26.78
U.S.A.	706.095	14.09	1.536.618	14.22
U.K.	396.719	7.92	2.172.710	20.10
Roumania	139.639	2.79	355.270	3.10
France	84.952	1.69	1.521.794	14.08
Czechoslovakia	77.873	1.55	417.307	3.86
Hungary	117.264	2.34	157.913	1.46
Greece	66.812	1.33	34.394	0.32
Brazil	99.817	1.99	29.676	0.27

- (c) General changes in tariff or in import restrictions recent or probable.

Nil.

- (d) Any factor largely affecting demand for imports supplies available for exports, or foreign demand for exports.

1. The re-export of goods imported into Turkey from U.K., France, and their Colonies, Dominions and Protected territories is prohibited (March 11th Decree 2/12998).
2. The export to Germany of postal packages containing foodstuffs is made extremely difficult owing to stringent formalities.
3. The Eti Bank is charged with the exclusive export and sales rights for all chrome of Turkish origin (March 19 Decree 2/13117)
4. A credit of £T2,500,000 for the development of agriculture and purchase of material was voted in March.
5. Importers Union Grouping wholesalers Semi wholesalers and retailers in their respective trades are to be created by order of the Ministry of Commerce. A pharmaceutical and Chemical Group has already been formed.
6. Negotiations for the import of certain essential machinery supplies, spare parts etc. from Germany in exchange for Turkish products to a value of from ten to twenty million Turkish lira are progressing slowly. U.K. is being given a chance to supply instead where possible. In respect of many items this is not possible however. Tin, tinplates and steel are very much in demand.
7. Commercial negotiations have been started with Holland to increase reciprocal trade between Turkey and Holland.
8. A Turkish Mission is to visit the U.K. in April in connection with Turkey's requirements in iron and steel.
9. Unsuccessful efforts are being made to obtain delivery from U.K. of large orders in respect of road making plant, e.g. road rollers, scrapers, stone crushing, concrete mixers in connection with the road development programme of the Turkish Ministry of Public Works.
10. Best security sales terms to be recommended to U.K. exporters. } Cash against documents.

TURKEY
REPORT ON ECONOMIC CONDITIONS
for FEBRUARY 1940

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Policy unchanged

Commercial bills discontinued:-

February 24th 1940	£226.824.000
February 25th 1939	84.704.000
January 20th 1940	214.600.000

<u>Note circulation</u>	<u>24/2/1940</u>	<u>20/1/1940</u>	<u>25/2/1939</u>
Old issue	140.542.000	140.760.000	142.350.000
Supplementary to old issue and covered by gold	17.000.000	17.000.000	19.000.000
Supplementary to old issue covered by Commercial Bills	<u>144.500.000</u>	<u>140.000.000</u>	<u>35.000.000</u>
	302.042.000	297.760.000	196.350.000
	=====	=====	=====

(b) RESTRICTION OR EXPANSION OF COMMERCIAL CREDIT

Credit facilities were increased for the needs of the Treasury and local Banks.

(c) CHANGES IN COMMERCIAL BANKING INTEREST RATES

8½% against security
12% uncovered

Official discount rate 4% since 1.7.1938

2. STOCK EXCHANGE

(a) GENERAL MOVEMENT OF

(i) Share	<u>1929.</u>	<u>1933.</u>	<u>1934.</u>	<u>1940</u>
Internal loan:		100		102
Loan 1933				
" 1934			100	101
" (lottery) 1938 X	100			102
External loan		100		87
Principal industrial shares (tram, flour, mills, cement, breweries, etc.)	100			27
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			43
Central Bank of Turkey			100	157
Anatolian Railway Debentures	100			116

X has replaced 1918 Interior loan.

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(ii) bond values

Nil.

(b) NEW CAPITAL ISSUES
(as a whole)

Nil.

3. BUDGET

(a) ESTIMATES

In respect of the ordinary budget for 1940 were laid on the table in the Grand Assembly Ankara on February 29th and amounted to £T282,312,000 i.e. £T1,250,000 higher than last year. A special supplementary credit of £T72,000,000 for National Defence purposes was also tabled.

(b) CURRENT FIGURES OF
REVENUE & EXPENDITURE

Comparative results of first 6 months of financial year 1939-1940 (June-November) are as follows:-

	1939-40 £T	1938-39 £T	Difference £T
Ordinary	137.708.282	137.291.748 +	461.534
Extraordinary	74.826.035	45.643.454 +	29.182.581
Other	1.639.336	872.446 +	766.890
Treasury Refund	6.987.563	4.518.696 +	2.468.867
	221.161.216	188.326.344 +	32.834.872
	=====	=====	=====

(c) SUPPLEMENTARY
EXPENDITURE

Nil.

(d) ISSUE OF GOVERNMENT BONDS
AND METHOD OF FINANCING DEFICITS

Nil.

(e) YEARS ACCOUNTS

Nil.

4. PRICE LEVELS

Latest published indices. General wholesale and general retail prices; wholesale prices of import products export products, agricultural products, industrial products.

The Istanbul Chamber of Commerce and Industry published no figures since the month of November 1939.

The wholesale price levels for export products in February 1940 were maintained at the levels of the preceeding month.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or commercial accounts in (a) inland trade, with reference to particular trades where desirable, (b) import trade so as to show with 7 (b) whether delays are due to transfer difficulties or to local business conditions.

Internal. Situation as in January. Payments generally regular.

External. Payments in respect of goods imported on a compensation basis from most countries were regular. Payments for imports through the Italian and Hungarian Clearings were much in arrears. Payments for American goods in U.S.A. are also much in arrears.

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Central Banks favourable rate for cheques and bills of Diplomatic Missions and Staffs remains at the reduced level of £1-780 ptrs.

- (b) Central Bank's reserve of foreign exchange

The deficit on the free market in January 1940 which amounted to £255.634 as compared with £156.802 in January 1939 was made good by the Central Bank. Free exchange at the disposal of the Bank of Turkey in England, France, Switzerland Sweden, Greece, Ireland, Belgium, Japan in connection with clearing compensation agreements as also that resulting from Turkish exports is recorded in a special account. In February 1940 the Turkish Government decided to sell direct to the Central Bank instead of the free exchange market, currency arising out of exports from Turkey to those countries subject to Article 4 of Decree 2/7005, similarly as for U.S.A.

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

- (a) Changes in regulations.

No change

- (b) Changes in administrative delays and difficulties

No change

- (c) Delay in transfer

i. in general

Rather long for payment of goods from countries with a Clearing Agreement except in respect of Estonia, Yugoslavia, Latvia, U.S.S.R. and Lithuania.

ii. for particular trades if they differ from normal.

Nil.

- (d) Liquidation of arrears, if any to U.K. and other countries.

Liquidation of arrears proceeds slowly except for Switzerland, Holland, Czechoslovakia. Accounts for these countries have been considerably lightened.

8. CLEARING

- (a) New agreements; cancellation or modification of existing agreements.

- a. A special agreement in respect of Anglo-Turkish clearing arrears has been arranged whereby £2,000,000 has been loaned to Turkey to liquidate arrears.
- b. The Turco-Grecian clearing agreement of 26/9/35 scheduled to expire 31/12/39 was again extended for one other month to February 29th 1940 pending conclusion of current negotiations for a new agreement.
- c. A new trade and clearing Agreement between Turkey and Sweden was signed on February 29th with effect from March 1st 1940 for a period of one year's validity.

- (b) Liquidation of balances on either side.

As on 17th February 1940 credits at Central Bank of Turkey amounted to £T 33,000,000 of which £T 7,787,000 for U.K. as compared with £T 14,416,000 a month previously. Credits on the same date in the National Banks of Esthonia, Lithuania, Latvia, U.S.S.R., Roumania and Yougoslavia; £T 203,000. On the 12th February 1940 the amount available from Turkish exports for payment of imports on a Compensation basis for the countries named were as follows:-

		DEBTS		CREDITS
		£T		£T
Germany	"A" Account	14,878,900	"B"	1,639,700
Belgium		581,800		
Czechoslovakia		697,500		
Finland		792,800		
France		3,003,300		
Holland		320,600		
United Kingdom		7,760,900		
Spain		279,300		
Sweden	"D" Account	2,587,700	"A"	160,600
Switzerland		164,100		
Italy	"A" Account	1,926,300	"B"	988,300
Poland		435,300		
Hungary		1,354,400		
Norway		258,300		
Roumania		937,100		296,800
U.S.S.R.		25,000		
Greece		531,100		
Estonia				23,100
Latvia				71,500
Lithuania				25,500
Yogoslavia				86,600
		£T. 36,534,400	£T. 3,292,100	
		=====	=====	

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

Compensation premia applied by Takas Ltd. were not altered in the month of February 1940. They were as follows:-

	Importation 100%	Exportation Cash or immediate shipt.	Delayed shipments	
Countries on an interchangeable compensation basis Art.				
4 Decree 2/7005	56	45	44	100%
United Kingdom	70 ^x	40	39	"
France	56	42	41	"
Belgium	70	47	46	"
Holland	66	41	40	"
Sweden	53	50	48	"
Switzerland	70	40	39	"

9. FOREIGN TRADE

- (a) Total import and export figures

	Jan. - Dec. 1939 £T	Jan. - Dec. 1938 £T
Imports	118.248.934	149.836.689
Exports	127.388.997	144.946.511
Balance	+ 9.140.063 =====	- 4.890.178 =====

- (b) Important changes in direction

- i. The following figures show the value and percentage of Turkish Foreign Trade by Principal Countries during the 12 months ended December 31st 1939.

	1939 IMPORTS	Percent- age	1939 EXPORTS	Percent- age
Germany	60.142.095	50.86	47.504.453	37.29
U.K.	7.388.263	6.25	7.301.575	5.73
Italy	10.023.087	8.48	12.753.632	10.01
U.S.A.	11.686.099	9.89	18.212.488	14.30
U.S.S.R.	3.451.798	2.93	3.978.047	3.12
France	2.235.966	1.89	5.630.546	4.42
Czechoslovakia	1.788.722	1.51	6.064.716	4.76
Holland	1.574.481	1.33	2.474.706	1.94
Dantzig Poland	3.003.855	2.54	1.663.409	1.30
Roumania	2.343.873	1.98	1.789.385	1.40

x The Takas import premium on goods from the U.K. is now 56%

ii. Corresponding figures for month of December 1939 only:-

	1939	Percent- age	1939	Percent- age
	IMPORTS		EXPORTS	
Germany	1.280.331	23.06	838.122	7.25
U.S.A.	941.021	16.95	1.789.343	15.49
Italy	1.021.525	18.40	2.180.682	18.87
U.K.	565.899	10.19	1.024.596	8.87
Roumania	167.969	3.02	185.200	1.59
Brazil	164.425	2.96	3.632	0.03
France	138.860	2.50	1.180.557	10.22
Australia	132.921	2.39	10.212	0.09
Czechoslovakia	55.508	1.00	601.775	5.21
Hungary	91.798	1.65	531.735	4.60
U.S.S.R.	93.186	1.68	904.618	7.83
Siam	-	-	441.207	3.82

(c) General changes in tariff or in import restrictions recent or probable.

1. Export of gloves made from small animal skins is permitted to countries coming under Art. 1, 2 and 4 Decree 2/7005 (Decree No. 2/12301 dated 7.11.1939)
2. Export of rubber scrap, parings, etc. is permitted against a corresponding import of rubber. (Decree No. 2/12857 dated 21.2.1940)
3. Special Emergency "Control of National Economy" (Defence of the Realm) Law 3780 came into effect on February 21st.

(d) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

1. Under Law 3780 controlled labour in Ereğli Coal production zone set up to increase production, improve distribution of coke and amass stocks. Eti Bank granted Monopoly of Control. Export of coal is prohibited.
2. Italian Trade Agreement signed in February providing for increased exchanges to a total annual turnover of 800.000.000 lira approximately. Turkey will export cereals, minerals, cotton, oleaginous seeds, olive oil, fish & wool while Italy will export to Turkey sulphur, textiles, machinery, motor vehicles finished iron and steel, chemical and medical products.
3. A contract for the Power Station at Chatalazi (Zunguldak) £1½ million approximately has been awarded to a British firm in February. The contract for the construction of a Naval Base at Golcuk by German interests has been cancelled

4. By an exchange of letters the German and Turkish Governments have agreed that the Turkish Customs will release Germans goods held in Custom Depots in Turkey to a value of £T5.050.000. In return Turkey will permit the following exports to Germany.

Tobacco	£T2.600.000
Dried raisins	400.000
" figs	100.000
Nuts	1.000.000
Cotton seeds	100.000
Olive oil	300.000
Oil Cake	100.000
Sesame	100.000
Industrial figs	300.000
Pistachio nuts	50.000
Total	£T5.050.000
	=====

TURKEY
REPORT ON ECONOMIC CONDITIONS
FOR JANUARY 1940

1. GENERAL CREDIT POSITION

(a) Central Bank Policy

Central Bank has increased facilities for the Treasury, Local Banks and Commercial requirements.

Commercial Bills discounted:-

January 20th, 1940	£T214,600,000
January 20th, 1939	83,400,000
December, 20th, 1939	203,300,000

Note circulation	20.1.1940	20.12.1939	20.1.1939
Old issue	140.760.000	140.760.000	142.744.000
Supplementary to old issue and covered by gold	17.000.000	17.000.000	19.000.000
Supplementary to old issue and covered by Commercial Bills	140.000.000	139.000.000	43.000.000
	<u>297.760.000</u>	<u>296.760.000</u>	<u>204.744.000</u>

(b) RESTRICTION OR EXPANSION OF COMMERCIAL CREDIT

Credit facilities were again increased

(c) CHANGES IN COMMERCIAL BANKING INTEREST RATES

No change

2. STOCK EXCHANGE

(a) GENERAL MOVEMENT OF

(i) Share	1929.	1933.	1934.	1940.
Internal loan:				
Loan 1933		100		100
" 1934			100	100
" (lottery) 1938 X	100			100
External loan		100		69
Principal industrial shares (tram, flour, mills, cement, breweries, etc.).	100			24
Public utility companies in liquidation (water, telephone, Anatolian Railways)	100			45
Central Bank of Turkey			100	157
Anatolian Railway Debentures	100			112

X Has replaced the 1918 interior loan

(ii) bond value

Nil.

(b) NEW CAPITAL ISSUES (as a whole)

Nil

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3. BUDGET

(a) ESTIMATES

Nil

(b) CURRENT FIGURES OF REVENUE & EXPENDITURE

Comparative results of first five months of financial year
1939-1940 (June-October) are as follows:-

	1939-40 £T	1938-39 £T	Difference £T
Ordinary	121.103.661	120.850.204 +	253.457
Extraordinary	60.824.522	43.161.567 +	17.662.955
Other	1.348.479	571.827 +	776.652
Treasury refund	<u>6.737.224</u>	<u>4.332.098 +</u>	<u>2.405.126</u>
	190.013.886	168.915.696 +	21.098.190

(c) SUPPLEMENTARY EXPENDITURE

Nil

(d) ISSUE OF GOVERNMENT BONDS AND METHOD OF FINANCING DEFICITS

Nil

(e) YEARS ACCOUNTS

Nil

4. PRICE LEVELS

Latest published indices. General wholesale and general
retail prices; wholesale prices of import products, export
products, agricultural products, industrial products.

The Istanbul Chamber of Commerce and Industry
published the following Comparative figures:-

	1929	Oct. 1939
Imported articles	1487	1284
Exported articles	1091	585
locally consumed	1311	841
Mean of 52 articles	1317	778

Export price levels were maintained, those for wool
and mohair rising slightly.

5. COMMERCIAL PAYMENTS

Experience of banks and others regarding collection or
commercial accounts in (a) inland trade, with reference to
particular trades where desirable, (b) import trade so as to
show with 7 (b) whether delays are due to transfer difficulties
or to local business conditions.

Internal. The position in January 1940 is the same as for December last - i.e. payments in general were regular.

External. Payments for goods imported on a compensation basis are for the most part regular. Clearing in respect of imports from Italy and Hungary are much delayed. Payments in free exchange for goods from U.S.A. are also much in arrears.

6. EXCHANGE

- (a) "Black" or other rates not quoted in London. Rates for compensation marks or other special currencies.

Central Bank's favourable rate for cheques and bills of Diplomatic Missions and Staffs reduced from 830 to 780 piastres = £1 since two months ago.

- (b) Central Bank's reserve of foreign exchange.

On the free market the exchange deficit of £1121.709 for December 1939 was made up by the Central Bank. The deficit for period January-December 1939 amounted to £1.193.000 as compared with an excess amount of £1.032.000 for the corresponding period 1938. These figures are not a true reflection of the position. In December 1938 offers exceeded demand for £1.094.000 on account of the sale on the Bourse of U.S.A. \$ offered by U.S.A. companies buying tobacco, whereas in December 1939 the usual sales of U.S.A. \$ were not registered on the Bourse but at the Central Bank by virtue of the special agreement as to the exchange rate of the dollar. Free exchange at the disposal of the Central Bank of Turkey in United Kingdom, France, Switzerland, Sweden, Greece, Eire, Belgium, Japan, for clearing and compensation agreements are kept in separate account.

- (c) Hoarding of exchange by private banks, traders or conversely and tendency on their part to delay purchase of exchange.

Forbidden.

7. EXCHANGE CONTROL

- (a) Changes in regulations.

No change

- (b) Changes in administrative delays and difficulties

No change

- (c) Delay in transfer

- i. in general

See 5

- ii. for particular trades if they differ from normal.

Nil

- (d) Liquidation of arrears, if any to United Kingdom and other countries.

Very slow for clearing account with the exception of Estonia, Yugoslavia, Roumania, U.S.S.R., Lithuania.

8. CLEARINGS

- (a) New agreements; cancellation or modification of existing agreements.

1. A new Turco-Italian Commercial Agreement is being negotiated.
2. A new Greek-Turco Commercial Agreement is being negotiated.

- (b) Liquidation of balances on either side.

1. Amounts accumulated at Central Bank, Turkey, total £T41,000,000 of which £T14,416,000 for United Kingdom and £T11,857,000 for Germany.
2. Amount at National Banks of Estonia, Lithuania, Latvia and U.S.S.R., Roumania and Yugoslavia £T1,000,000

	<u>DEBTS</u>		<u>CREDITS</u>
	<u>£T</u>		<u>£T</u>
Belgium	600.300		
Czechoslovakia	1.175.100		
Finland	795.200		
France	3.003.600		
Holland	334.000		
United Kingdom	11.888.800		
Spain	276.700		
Switzerland	178.100		
Poland	400.900		
Hungary	1.539.800		
Norway	286.700		
U.S.S.R.	69.800		
Greece	449.900		
Germany "A" account	14.426.600	"B" a/c	1.318.300
Italy "A" "	2.720.900	"B" "	677.800
Sweden "D" "	2.578.400	"A" "	29.700
Estonia			24.200
Latvia			51.800
Lithuania			25.500
Yugoslavia			132.200
Roumania	517.000		287.600
	<u>£T 41.241.700</u>		<u>£T 2,547,100</u>

- (c) Premiums or discounts on official rate of exchange in making payments to and from the clearings.

1. The U.S.A. dollar premium rate has been fixed by U.S.A. and Turkish Government at 37.50 piastres per U.S.A. \$ purchased in respect of goods imported into Turkey between 4.12.1939 and 1.1.1940. No premium is to be charged for purchase of U.S.A. \$ in respect of American goods imported into Turkey before 4.12.1939. 50 piastres premium per U.S.A. \$ is to be charged in respect of goods imported after 2.1.1940. Premium for the sale of U.S.A. \$ = 32 piastres.

9. FOREIGN TRADE

(a) Total import and export figures

	Jan.-Nov.1939	Jan. Nov.1938
	£T	£T
Imports	112.695.853	137.556.853
Exports	<u>115.834.715</u>	<u>126.592.435</u>
Balance	+ 3.138.862	- 10.964.508

(b) Important changes in direction

The following figures show the value and percentage of Turkish foreign trade by principal countries during the month of November, 1939:-

	1939	Percentage	1939	Percentage
	IMPORTS		EXPORTS	
	£T'000s		£T'000s	
United Kingdom	551	8.63	1.180	9.80
Germany	2,852	44.67	1.490	12.37
Italy	850	13.32	1.108	9.20
U.S.A.	728	11.40	3.147	26.13
Roumania	282	4.41	294	2.44
Hungary	132	2.07	314	2.61
Brazil	161	2.52	36	0.30
Czechoslovakia	42	0.66	1.288	10.69
France	47	0.74	701	5.82

(c) General changes in tariffs or in import restrictions recent or probable.

- Decree 2/12643 of 23.12.1939 authorizes customs franchise for a long list of raw materials and manufactured goods imported by or for the use of Turkish Military Factories.
- Para. D of item 695 of Turkish General Customs Import Tariff, by Law 3781 (26.1.40) is amended to describe a more specific analysis of crude mineral oils and their residual fuels such as manout, motorine, pitch, etc. in order to prevent the distillation in Turkey of crude oils classified under this heading D.695.
- Decree 2/12487 of 11.12.39 sanctions as a special exceptional measure, for once only, a partial remission of import duty on cotton textiles containing not more than 23% mixture of artificial silk yarn which had been lying blocked in Turkish Customs depot since several months, in order to supplement restricted stocks on local markets.
- The restricted list No. 2 of goods which countries subject to the provisions of Art. 4 of Decree 2.7005 (i.e. countries having no commercial or payments agreement with Turkey) may import is to be abolished - (Decree 2.12669 of January 25.1940. Such countries will be allowed to import any goods into Turkey as soon as the procedure for compensation transactions, to be adopted by the Takas Co. Ltd., has been fixed and promulgated by official Decree.

(a) Any factor largely affecting demand for imports, supplies available for export, or foreign demand for exports.

1. Further bulk purchases of dried fruit by the Ministry of Food, London, were effected in December/January.
2. A tobacco purchase mission arrived in Turkey early February to make bulk purchases on account of H.M.C.
3. A new Turco-German commercial agreement provides for an exchange of Turkish products e.g. olive oil, fruit tobacco etc. to a value of £17,500,000 for German manufactured goods e.g. spare parts, pharmaceuticals urgently required in Turkey. It is rumoured that the amount will be increased to £22,000,000.
4. A number of Government contracts with German firms have been cancelled. Turkish officials and private interests are endeavouring to get delivery of the machinery etc. cancelled but still urgently required from the United Kingdom instead. Buying missions have visited Italy and France - but returned disappointed. Italian prices are up 50 - 60%.
5. £15,000,000 gold was deposited in Ankara Banks end of January under the Anglo-Franco Agreements by H.M. and French Governments.
6. Special agreements regarding bulk purchase of Turkish dried fruits, tobacco etc. etc. for specific periods came into force end of January 1940.
7. An exchange of Turkish cotton for Roumanian oil has been negotiated by the respective Governments. A special ship will load the cotton at Smyrna.
8. Licences have been granted to Italy for the purchase of 1,000 tons cotton at Adana (at 76 ptrs. per kilo)
1,000 tons " " Smyrna (at 72 " " ")
9. Takas Ltd. has opened special government credits for bulk imports in several branches e.g. 4500 tons iron goods from U.S.A. and Italy; petroleum from Roumania.
10. Owing to the great difficulty of obtaining foreign supplies of manufactured goods even at exorbitant prices, the Turkish Government is making a drive to promote local production.